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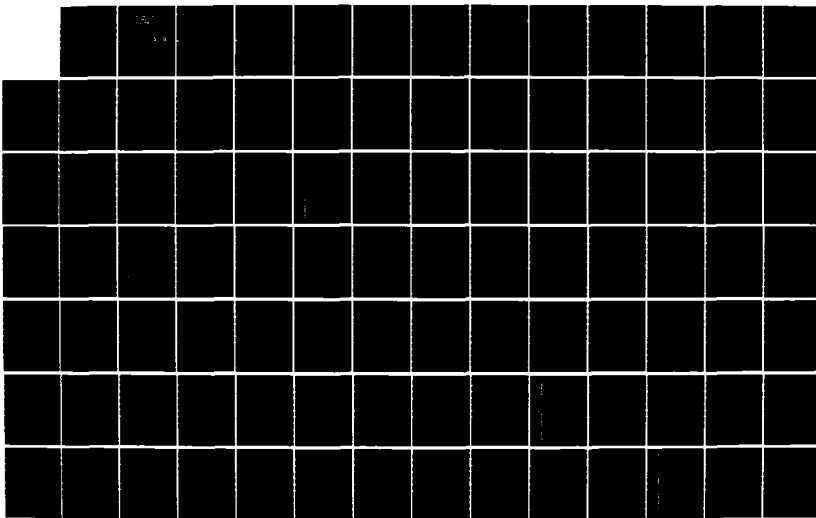
AREA ASSESSMENT: PERU(U) CIVIL AFFAIRS BRIGADE (361ST)
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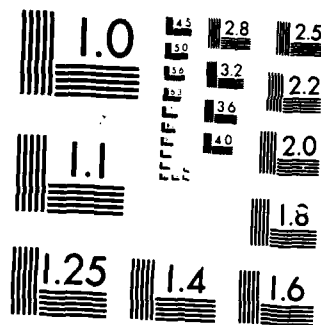
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AREA ASSESSMENT

PERU

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FEB 04 1986
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Prepared for

Commander-in-Chief
United States Southern Command
Quarry Heights Panama

by

361 Civil Affairs Brigade

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F O R E W O R D

Enclosed are copies of unclassified area assessments prepared by the 361st Civil Affairs Brigade under the direction of the Plans, Policy and Politico-Military Affairs Directorate (J5) of the United States Southern Command.

These area assessments are designed to be used as civil affairs planning guides for exercises and general reference documents for the backgrounds on the countries.

In a continuing effort to improve the quality of these documents, you are encouraged to submit any recommended changes and/or corrections.

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AREA ASSESSMENT

PERU

September 24, 1984
361ST CIVIL AFFAIRS BRIGADE
Pensacola, Florida 32504

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FIGURE 1: Peru

EXECUTIVE SUMMARY

A. GENERAL OVERVIEW

Peru is one of the oldest and the third largest of the countries of South America. The geographical area is made up of four distinct regions. The country is currently experiencing a myriad of problems compounding an already depressed economy, a resurgence of guerrilla activity from the Shining Path and a runaway inflation of 125 percent per year. The Belaunde government has been fairly ineffective in its efforts to get these problems under control. Presidential elections are scheduled for 1985. Unusual weather conditions during recent years have compounded the problems although this is beginning to show some improvement. The plague of terrorism is a problem the government must contend with. These problems are a cause of concern for civil affairs planners and action officers. This country assessment points out the many problems which would need to be addressed by civic action personnel. The research was carried out during the summer of 1984 in various U.S. libraries and in Peru by members of the 361st Civil Affairs Brigade, Pensacola, Florida.

B. GOVERNMENT

The current government of Peru is headed by the Popular Action Party (AP) founded by Fernando Belaunde Terry in 1956, who is the current President, elected in 1980 after the military stepped down following a twelve year Military Government rule. AP is a moderate left to center party friendly to the U.S.

The party that is challenging AP for control of the Government in 1985 is the American Popular Revolutionary Alliance (APRA), Peru's oldest mass-based political party. APRA is social democratic; has observer status in the Socialist International and regards itself as the "Non-Communist Left". The party is currently headed by Alan Garcis Perez (Secretary General) who is the favorite to win the April 1985 presidential election. A last minute challenge to Garcia's presidential candidacy however, has come within his own party. Javier Valle Riestra, a trial lawyer and a parliamentary deputy, is opposing Garcia in the 12 February internal party elections. Valle Riestra is backed by former Secretary General and 1980 APRA presidential candidate Armando Villanueva del Campo, as well as outgoing Trujillo mayor Jorge Torres Vallejo, who played a decisive role in the election of Garcia as party chief during APRA's 16th national congress in 1982.

APRA under Garcia would run the Government for the first time should they win the 1985 elections. APRA is the oldest party in Peru and has won the presidency twice but was disposed by the military both times prior to taking office.

Garcia, as the potential president, is a sensitive person, changes his mind often, and is pro-North Korean.

The only hope for the AP party is to form a coalition with the Popular Christian Party (PPC) headed by Dr. Luis Bedoya Reyes. The PPC was the runner up to the APRA in the 1980 elections and with the turmoil in APRA could swing enough votes to the AP to win in 1985. The AP candidate is Senator Javier Alva Orlandini.

C. SOCIAL AND ECONOMIC ENVIRONMENT

There is a complex interplay of occupation, ethnicity, economics, and history making up the social classes of Peru. The society consists of three broad strata: a small elite, a diverse middle class, and a large heterogeneous lower class.

Despite the changes brought about by the military regime of 1968-1980, Peruvian society remains decidedly oligarchic. Until this period of military rule, 44 families held prominence in Peruvian affairs. Large land holdings owned by these families and others were given to the peasants and by 1977 totaled 400,000 hectares. Even with those losses they still dominate Peruvian affairs; at least relatively if not absolutely. The agrarian reform law passed during this period fixed the maximum individual holdings at 150 hectares in the coastal region and between 15 and 55 hectares of irrigated land in the Sierra. Maximum holdings of forest or pasture land were set at 1,500 hectares.

Formal education has greatly expanded in Peru over the past 80 years, and enrollment is at an all time high. Many problems still exist due to the rapid rate of inflation and the rural population that requires numerous small schools adaptable to Indian needs. Peru is attempting to solve this problem with a system of nuclear schools. These will be fully staffed six-grade schools that serve the communities. Eighty-four percent of Peru's students attend public school at all levels. Illiteracy is above 70 percent in isolated areas of the Sierra where these schools are needed and only 28 percent in urban areas. Under the 1979 Constitution, primary education is free and compulsory. The system is highly centralized, with the Minister of Education appointing all public school teachers.

The general health of Peruvians is one of the worst in Latin America. There is a huge demand for health care services that is largely unsatisfied. Public health facilities, the armed forces and numerous site owned companies are responsible for providing basic health care to 80 percent of Peru's 19.2 million people. Over 25 percent of these citizens have never received professional medical attention and another 25 percent receive only sporadic care.

The Peruvian economy expanded by an average of 5 percent annually during 1972-76 but declined by 1.2 percent in 1977 and 1.8 percent in 1978. 1983 showed a real growth of about 1 percent. The recent low rate of economic growth was mainly due to a scarcity of foreign exchange and weak domestic demand for consumer and investment goods, arising from a drop in real income and contraction of money and credit in real terms.

Four years after returning to civilian rule, Peru continues to rebuild a market economy and dismantle the initiative-stifling structures created during 12 years of military rule. To accomplish this during a world recession, as Peru sees the demand (and therefore price) of its traditional extractive and agricultural exports fall, is nearly unprecedented. Decreases in export receipts have created serious deficits in its current accounts and a substantial decrease in its foreign reserves. Large public sector deficits have followed, as tax receipts from exports declined and the government continued to subsidize inefficient operations of industry.

Public communication covers most types in Peru and is fairly well developed. After the 1968 takeover of the government by the military, a large number of newspapers and radio and television stations were expropriated. Four daily newspapers in 1970, and the following year 51-percent ownership of all television stations and 25-percent ownership of all radio stations were taken over by the government. In July 1974 the remaining six Lima dailies were expropriated. These remained under government control until the elections of 1980.

Peru's transportation system is fragmented and poor. There are only two railroads in the country and these do not connect. There are approximately 60,000 km of roads, most on the coastal desert. This presents a major obstacle to the economic integration of the country. Timber and other products from the jungle areas must be transported down the Amazon to the Atlantic or shipped out by air. Even those roads available in this region are not passable during the rainy season.

With the exception of the small group of Cubans (780) that took refuge in the Peruvian embassy in 1980 and were subsequently airlifted to Peru, there are no refugee problems. Of these 780, the majority have found haven in other countries at this writing. The Andes and lack of roads and transportation will always limit the numbers of DPRE's.

Human rights continue to be an issue in Peru. With the increase in terrorist activities, Belaunde has upped the numbers

of police assigned anti-terrorist duty. As many as 15,000 are currently augmenting the 5,000 soldiers and security forces already assigned. With this emphasis many claims of torture and summary executions have been leveled at the government. Many of those that have "disappeared" are Quechua-speaking Indians and their plight has so far failed to catch world-wide attention.

Numerous cultural attractions in Peru must be of concern to civil affairs operators. These include the Inca ruins that stretch from Cusco to Machu-Pichu, the Chimu ruins, Nazca lines and various churches, national parks, museums and preserves.

D. POTENTIAL THREATS AND THE U.S. ROLE

Recently, the Soviet Union has been the major supplier for the Army and Air Force in Peru, offering purchases with long-term, low-interest loans. As a result of extensive purchases during the late 1970s and early 1980s Peru now has approximately 60 percent Soviet equipment in use by its Army and 50 percent Soviet equipment in its Air Force. As a result of these purchases Peru has had to rely on Soviet technical assistance to train personnel and maintain the equipment.

The Soviets also have a "fishing rights" agreement whereby they have extensive fishing rights in the waters off Peru. The Soviet fishing fleet is stationed in the port city of Callao outside Lima, intermingled with the Peruvian Naval fleet.

The U.S. is encouraging Peru to buy more military equipment from the U.S. They have guaranteed credit (at commercial rates) to Peru to purchase up to \$10 million from U.S. Foreign Military Sales (FMS). The International Monetary Fund (IMF) has been approached for \$120 million to buy U.S. helicopters.

Many top military leaders get their impressions of U.S. life by attending military schools in America. Normally these impressions are favorable and make friends of foreign high level military leaders for years to come. Peru, however, does not have enough English language qualified military personnel to take full advantage of the offered schools.

E. DISCRIPTION OF U.S. PROGRAM OF ASSISTANCE

1. U.S. INVESTMENT IN PERU

During the Velasco years, several major U.S.-owned enterprises were nationalized, and they were compensated by 1978. The Belaunde government's attitude toward foreign investment is more positive. Government officials recognize the necessity of attracting foreign investment as well as stimulating private-sector investment. The Belaunde government has passed legislation authorizing tax credits on reinvested income in mining and

petroleum, as well as gradual elimination of a 17.5% tax surcharge on mineral exports.

Most new U.S. investment is still concentrated in mining and petroleum. The most important new U.S. investments in the past 10 years have been the Southern Peru Copper Corporation's mine at Cuacone and Occidental Petroleum's operations in the northern jungle.

Negotiations between the Peruvian Government and several foreign oil companies, including the two U.S. companies, Belco and Occidental, began in earnest during the first part of 1980, after the government issued new guidelines concerning oil contracts and taxation. In December 1980, new legislation was approved by the Peruvian Congress, offering further inducement for foreign investment and resulting in a series of contracts signed in 1981 with the first new, foreign companies to enter the Peruvian petroleum industry since 1973.

Petroperu and Superior Oil signed an exploration contract on March 26, 1981, requiring the drilling of two exploration wells in the next 2 years. A contract with Shell was signed July 10, 1981, to permit exploration of the less-known southern jungle area, under terms that reportedly commit Shell to spend a minimum of \$100 million over the next 4 years in a two-stage exploration program.

2. U.S. ECONOMIC ASSISTANCE

The AID (Agency for International Development) program in Peru focuses on sierra and high-jungle economic growth, sierra social programs, and basic human needs in cities. Resources are concentrated in impoverished areas that have the most development potential. The sierra social programs, such as health care extension, cover most areas, whereas growth-oriented projects are concentrated in the departments of Cajamarca and Junin. In the high jungle, the principal development projects are in San Martin (central Huallaga), Huanuco (upper Huallaga), and Pasco (central selva).

In recent years, Peru has received about \$400 million annually from AID and other donors such as the World Bank, other U.N. agencies, and the Inter-American Development Bank.

During fiscal year 1981, the U.S. Government cooperated with the Government of Peru in a financial and technical assistance program of more than \$81 million, the largest U.S. development assistance program in South America.

U.S. ECONOMIC ASSISTANCE

Fiscal Years 1946-81

	US \$ millions	Cumulative Total US \$ millions
AID		362.3
Loans	248.0	
Grants	114.3	
PL 480 (Food for Peace)		289.6
Loans (Title I)	104.9	
Grants (Title II)	184.7	
Other		89.1
Loans	50.7	
Grants	38.4	
Peace Corps	25.3	
Narcotics control	7.5	
Other	5.6	
Export-Import Bank loans		395.4
Other assistance		<u>461.8</u>
Total direct US assistance		1,598.2
Other US-supported assistance		1,881.0
Interonational finance corporations		37.9
Inter-American Development Bank		851.8
World Bank		934.4
Other UN assistance		<u>56.9</u>
TOTAL		3,479.2

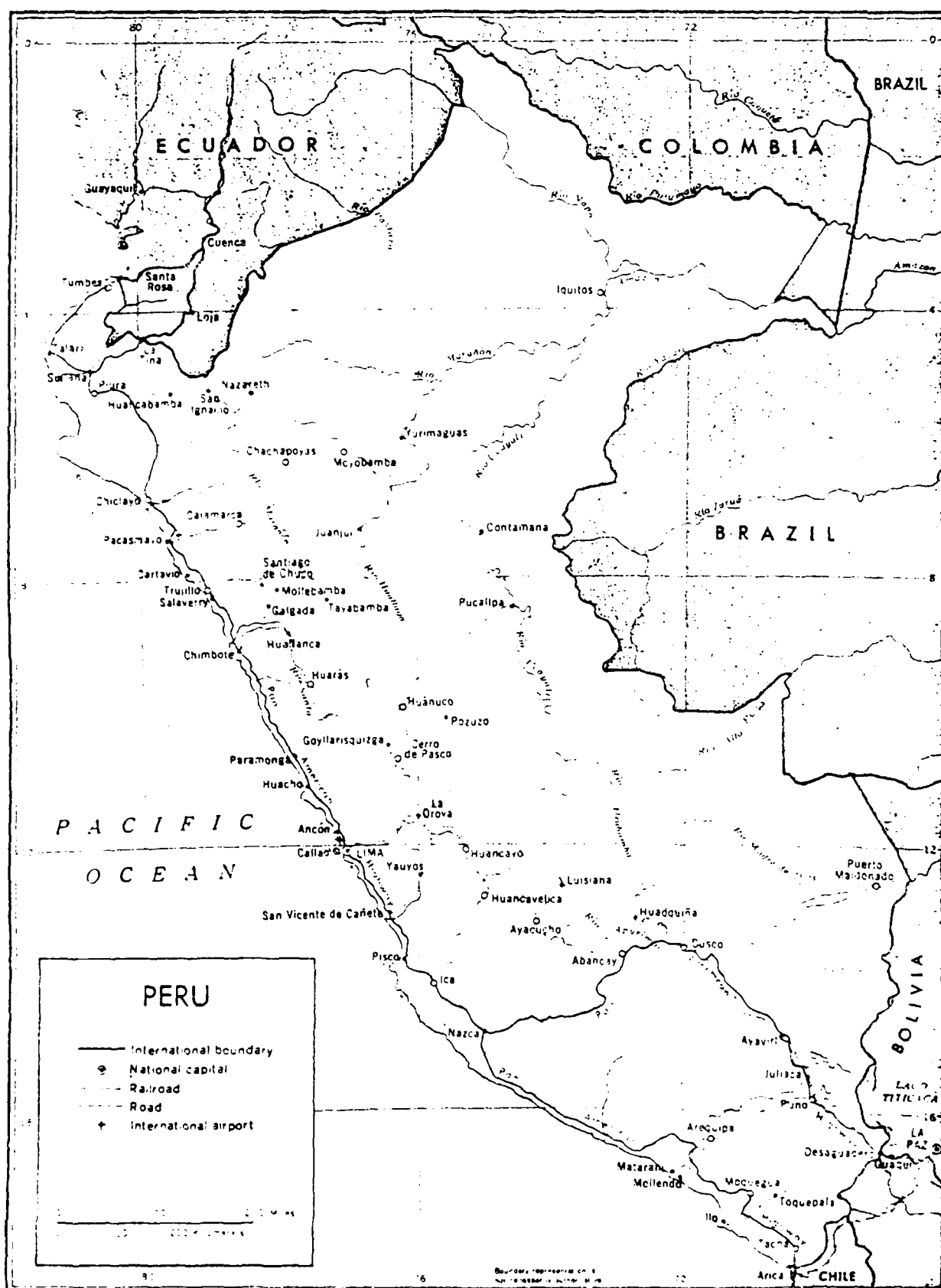


FIGURE 1.

IN-COUNTRY • SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 1
GENERAL BACKGROUND,
GEOGRAPHY, HISTORY & PEOPLE

Resource Category	Estimate of Availability Status
GENERAL BACKGROUND	Third largest country in South America (3 times larger than California). A constitutional republic since independence in 1821. Population is concentrated on Pacific coastal area (<u>costa</u>) and the fertile central sierra valleys.
GEOGRAPHICAL SETTING	West coast of South America, south of the equator between 0° and 18° south latitude. Has four distinct geographic areas: the coastal desert, the Andean highlands, the " <u>ceja de montaña</u> " (eyebrow of the mountain) located on the eastern slope of the Andes and the rain forests. The coastal desert (<u>costa</u>) is the driest region in the world while the sierra has some of the highest mountains in the world. The rain forests (<u>selva</u>) covers over half the country.
HISTORY	The Spanish invaded Peru in 1531 and by 1542 had established a viceroyalty with jurisdiction over Panama and all Spanish territory in South America with the exception of Venezuela. Peru's independence was proclaimed July 28, 1821 with emancipation completed in 1824.
PEOPLE	The population as of June 1984 was estimated to be 19.2 million; Indian 45 percent, mestizo 37 percent, white 15 percent, blacks, asians and others 3 percent. Religion is Roman Catholic and the official languages are Spanish and Quechua.

CHAPTER 1

GENERAL BACKGROUND, GEOGRAPHY HISTORY, AND PEOPLE

A. GENERAL BACKGROUND

Peru is a nation of diversity and contrast. Historically, it was the nucleus of the great Inca civilization, and subsequently the administrative center of the Spanish colonial empire in South America. Geographically, Peru includes the desert coastal region with its populous cities of Lima, Arequipa, Trujillo, Chiclayo, and Piura; the mountainous central area of the Andean chain; and the jungle region forming the headwaters of the Amazon Basin. Situated on the Pacific coast of the continent, Peru shares frontiers with five Latin American republics: Ecuador and Columbia to the north, Chile to the south, and Brazil and Bolivia to the east.

B. GEOGRAPHICAL SETTING

Peru is on the west coast of South America, south of the Equator, between 0° and 18° south latitude and 70° and 81° west longitude. About three times the size of California, it has a population of 19.2 million people (July 1984).

The country has four distinct geographic areas: the narrow coastal dessert region (about 25 to 40 miles wide), barren except for irrigated valleys; the Andean highlands or sierra, containing some of the world's highest mountains; "the ceja de montana" (eyebrow of the mountain), a long narrow strip of the eastern slope of the Andes; and the "selva" or rain forest area which covers over half the country, including the vast Amazon River Basin and the Madre de Dio River Basin.

The sierra, which makes up over one-fourth of Peru, is an area of uneven population distribution, rich in mineral wealth. Many of its inhabitants live at elevations above 10,000 feet. The selva region is sparsely populated and only partially explored. The climate in the ceja de montana varies with the elevation from temperate to tropical.

Because Lima lies on an axis of instability in the Earth's crust, light earthquakes called "temblores" occur often but seldom cause damage. Serious earthquakes occurred in Cusco (1950), Arequipa (1958 and 1960), the Lima Callao area (1966 and 1974), and Chimbote Callejon de Huaylas (1970).

Since Peru lies below the Equator, its seasons are the reverse of those in the Northern Hemisphere. Summer lasts from about mid-December through April along the coast and is generally pleasant,

with warm, sunny days and cool, comfortable nights. February is usually warmest, with an average temperature of about 79°F., but a humidity averaging 83 percent. Temperatures are rarely above the mid-80s. Only two distinct seasons occur in the highlands: the rainy season from December to April and a dry warm period the rest of the year.

Winter along the coast lasts from May or June to November. The weather is generally unpleasant—chilly, damp, and practically sunless for six to seven months. It almost never rains; however, a fine mist often occurs and fog is common. The coolest, dampest months are July and August, with average temperatures of about 60° F., but temperatures at this time of year rarely fall below the low 50s. Humidity is high all year, especially in winter, requiring a constant watch for mildew and mold.

C. HISTORY

When the Spanish landed in 1531, Peru's territory was the nucleus of the highly developed Incan civilization. Centered at Cusco, the Incan Empire extended over a vast region from northern Ecuador to central Chile. In search of wealth, the Spanish explorer Francisco Pizarro arrived in the territory after the Incas had fought a debilitating civil war, and he conquered the weakened people easily. By 1533, the Incan capital at Cusco had fallen, and by 1542 the Spanish had consolidated control. Gold and silver from the Andes enriched the conquerors, and Peru became the principal source of Spanish wealth and power in South America.

Pizarro founded Lima in 1535. The viceroyalty established in Lima in 1542 had jurisdiction over Panama and all Spanish territory in South America except Venezuela for almost 250 years. By the time of the wars of independence (1820-1824), Lima had become the most distinguished and aristocratic colonial capital and the chief Spanish stronghold in the Americas.

Peru's independence movement was led by Jose de San Martin of Argentina and Simon Bolivar of Venezuela. San Martin proclaimed Peruvian independence from Spain on July 28, 1821. Emancipation was completed in September 1824, when General Antonio Jose de Sucre defeated the Spanish troops at Ayacucho, ending Spanish rule in South America. Spain made futile attempts to regain its former colonies, but in 1879 it finally recognized Peru's independence.

Since independence, Peru and its neighbors have engaged in intermittent territorial disputes. Chile's victory over Peru and Bolivia in the War of the Pacific (1879-1883) resulted in a territorial settlement—the effects of which are still being challenged. Following a clash between Peru and Ecuador in 1941, the Rio Protocol (of which the United States is a guarantor) established the current boundary between the two countries. A skirmish occurred in early 1981 in a part of the border area still undemarcated.

The military has been prominent in Peruvian history. Coups have interrupted civilian constitutional government repeatedly. The most recent period of military rule began in 1968, when General Juan Velasco Alvarado overthrew President Fernando Belaunde Terry. As part of what has been called the "First Phase" of the military government's nationalist program, Velasco undertook an extensive agrarian reform program and nationalized the fishmeal industry, petroleum companies, and several banks and mining firms.

As a result of Velasco's economic mismanagement and his deteriorating health, General Francisco Morales Bermudez Cerrutti replaced Velasco in 1975. As Morales Bermudez moved the revolution into a more pragmatic "Second Phase", he tempered the authoritarian abuses of the "First Phase" and began the task of restoring the country's economy. Morales Bermudez presided over the return to civilian government in accordance with a new constitution adopted in 1979. In the May 1980 elections, President Fernando Belaunde Terry of the Popular Action Party (AP) was returned to office by an impressive plurality.

Current indications are that the Alianza Popular Revolucionaria Americana (APRA) party led by Alan Garcia Perez will win the February 1985 elections. Garcia is currently a member of the chamber of Deputies and is responsible for the overall coordination and control of the strong ties to socialist countries.

D. PEOPLE

Peruvian ethnic structure is made up of Amerindians, Hispanicized Mestizos, and Hispanic Europeans. In addition, some Peruvians are of African descent, and Lima and other coastal cities have Chinese and Japanese communities. Mestizos form a cultural bridge between the Hispanic-European and Amerindian societies. White Europeans tend to be culturally homogeneous throughout the country, whereas the Hispanicized Mestizos and Amerindians show greater cultural diversity. However, through education and economic development and the movement from rural to urban areas, a more homogeneous national culture is developing, especially in major cities.

Peru has two official languages: Spanish and the indigenous language, Quechua. Spanish is the language of government, the media, education and commerce. The Indians of the selva speak various dialects and languages and are ethnically distinct from those of the sierra. Some of these tribes still live much as they have since pre-historic times, while others have been almost completely assimilated into the Mestizo-Hispanic culture.

Under the 1979 constitution, primary education is free and compulsory for boys and girls. The system is highly centralized, with the minister of education appointing all public school teachers. Private schools, especially Catholic schools, traditionally have exercised a more influential role and enrolled proportionately more stu-

dents than private schools in the United States. Eighty-four percent of Peru's students attend public schools at all levels. School enrollment has been rising sharply for years, due to a widening educational effort by the government and a growing school-age population. Illiteracy in isolated areas of the sierra is above 70 percent, and in urban areas is estimated at 28 percent. Elementary and secondary school enrollment is nearly five million. University enrollment stands at 256,000.

The relationship between Hispanic and Indian cultures determines much of the nation's cultural expression. Peru has passed through various intellectual stages, from the implantation of colonial Hispanic culture to an affectation of European romanticism after independence. The beginning of this century brought indigenismo culture. After World War II, Peruvian writers, artists, and intellectuals participated in worldwide intellectual and artistic movements, drawing especially on U.S. and European trends.

The "First Phase" of the 1968-1980 military government sought to move away from European and North American influence toward Peruvian indigenous cultural forms, including the increased use of Quechua in the official media and emphasis on symbols such as 18th century rebel Indian leader Tupac Amaru. Nonetheless, Peruvian literature remained tied to continental and world trends and such writers as Mario Vargas Llosa, Albreto Bryce Enchenique, and Julio Ramon Ribeyro contributed to the Latin American literary boom, achieving an international readership.

E. POPULATION BY DEPARTMENT (JUNE 1984)

<u>DEPARTMENT</u>	<u>RANK</u>	<u>GROWTH RATE PERCENTAGE</u>	<u>ESTIMATED POPULATION</u>
Lima	1	3.5	5,887,600
Piura	2	3.1	1,249,000
Cajamarca	3	1.4	1,170,800
La Libertad	4	2.3	1,072,100
Puno	5	1.5	984,000
Junin	6	2.2	969,500
Cusco	7	1.7	945,200
Ancash	8	1.3	922,900
Arequipa	9	3.2	798,200
Lambayeque	10	3.0	766,100
Ayacucho	11	1.1	566,200
Huanuco	12	1.7	546,500
Loreto	13	3.2	513,300
Ica	14	2.2	483,000
Huancavelica	15	0.5	390,800
Apurimac	16	0.5	370,700
San Martin	17	4.0	358,500
Amazonas	18	3.0	289,800
Pasco	19	2.1	249,700
Ucayali	20	2.8	237,300
Tacna	21	4.5	159,600
Tumbes	22	3.4	116,800
Moquegua	23	3.5	111,600
Madre de Dios	24	4.9	38,700
TOTAL			19,197,900

IN-COUNTRY • SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 2
PUBLIC ADMINISTRATION

Resource Category	Estimate of Availability Status
GENERAL OVERVIEW	The two principal parties over the last 50 years have been the Military and the American Popular Revolutionary Alliance (APRA). Coups have interrupted civilian constitutional government repeatedly since independence, the last one being in 1968. Civilian rule was returned in 1980 in accordance with the Constitution of 1979. Elections are scheduled again in 1985.
STRUCTURE OF GOVERNMENT	The new (1979) Constitution provides for a Senate (60 members), Chamber of Deputies (180 members), Executive Body consisting of the President and Council of Ministers. Elections are every five years with the President and Congress elected at the same time.
MAJOR POLITICAL PARTIES	There are a multitude of political parties in Peru with the major ones being: American Popular Revolutionary Alliance (APRA), Popular Action Party (AP) and the Popular Christian Party (PPC).
LOCAL GOVERNMENT	Peru is divided into 24 departments and the constitutional province of Callao. The departments are subdivided into provinces which are composed of districts. Local authorities below the departmental level are elected.
FOREIGN POLICY	During the past 16 years (1968-present) Peru has shifted from its traditional pro-western stance. The government has established diplomatic relations with most communist countries, buys most of its military equipment from Russia, has a large soviet fishing fleet stationed at Callao and has established itself as third world leader.

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TAB 2

CHAPTER 2

PUBLIC ADMINISTRATION

A. GENERAL OVERVIEW

Since the 1930s, the two principal political institutions have been the military and the American Popular Revolutionary Alliance (APRA), Peru's oldest mass-based political party. Traditionally, relations between the two were hostile, occasionally resulting in bloodshed, but something of a compromise was reached during the final portion of the Morales Bermudez government.

APRA is vaguely social democratic; it has observer status in the Socialist International and regards itself as in the "non-Communist left". Following electoral defeats and the death in 1979 of Victor Raul Haya de la Torre, founder of APRA, the party has engaged in bitter internecine disputes. One of its most powerful leaders, unsuccessful presidential candidate Armando Vilaneuva, declined several offers by President Fernando Belaunde to participate in a broad-based government.

President Belaunde founded the Popular Action Party (AP) in 1956. AP has been able to attract strength from a wide range of social sectors. Regionally, AP's strength has centered in the southern departments of Arequipa and Cusco. Ideology is less important than faith in Belaunde himself and his far-reaching plans to tap Peru's potential by opening the vast eastern area to economic development.

AP's ally in government is the Popular Christian Party (PPC), moderate conservative group originally derived from the international Christian Democratic movement. Voter strength for the PPC lies primarily in Lima and includes the business and commercial elite, middle classes, and a small segment of the urban poor. PPC leadership is drawn heavily from Lima-based business people and lawyers. The principal PPC figure is Luis Bedoya Reyes. AP currently holds a narrow majority in the lower house and, with PPC support, controls the Senate.

The far left is fragmented into as many as 40 parties. Six parties and coalitions formed the United Left (Izquierda Unida or IU) for the November 1980 municipal elections; leftist groups drew more votes than APRA, improving their performance compared with their showing six months earlier. IU candidates won in eight major cities and came in second in several others. The highly splintered left controls fifteen percent of the electorate, although they have polled thirty percent on rare occasions.

National elections are scheduled for 1985 with the APRA party the favorite to win the election.

B. STRUCTURE OF GOVERNMENT

The new Constitution, which became effective when a civilian government was installed in July 1980, provides for a legislature consisting of a Senate (60 members) and a Chamber of Deputies (180 members) and an Executive formed of the President of the Republic and Council of Ministers appointed by the President. Elections were held in May 1980. They will be held every five years with the President and Congress elected at the same time, by separate ballots. All Peruvians over the age of 18 are eligible to vote; in December 1970 the number of registered voters was 2,829,728, including one million in Lima province. Voting is compulsory; women were fully enfranchised in 1955.

1. LEGISLATIVE BRANCH

The legislative branch consists of a bicameral Congress with a 60 member Senate and a 180 member Chamber of Deputies, both elected for five-year terms. Constitutionally elected former presidents are also designated senators for life. Congress convenes from July 27 to December 15 and from April 1 to May 31, annually. In addition to passing laws, Congress is empowered to approve treaties, authorize government loans, and approve the government budget. Each congressional body has the power to initiate legislation, which is then submitted to the other body for revision. The President has the power to review legislation but may not veto laws by Congress.

2. EXECUTIVE BRANCH

The President is popularly elected for a five-year term and may not be elected to a consecutive term. The first and second Vice Presidents also are popularly elected but have no constitutional functions unless the President is incapacitated. The principal executive body is the Council of Ministers, headed by the Prime Minister. Like other cabinet members, the Prime Minister is appointed by the President. All presidential decree laws or draft bills sent to Congress must be approved by the Council of Ministers.

3. JUDICIAL BRANCH

The judicial branch is headed by a sixteen member Supreme Court seated in Lima. The Tribunal of Guarantees, a separate judicial body, interprets the Constitution on matters of individual rights. An independent Attorney General serves as a judicial ombudsman. Superior courts sit in departmental capitals and hear appeals from decisions by lower courts. Courts of first instance are located in provincial capitals and are divided into

civil, penal, and special chambers.

Peru is divided into twenty-four departments and the constitutional province of Callao, the country's chief port, adjacent to Lima. The departments are subdivided into provinces, which are composed of districts. Local authorities below the departmental level are elected.

C. MAJOR POLITICAL PARTIES

Most of the political parties active before the 1968 coup were of comparatively recent vintage, the principal exception being the American Popular Revolutionary Alliance (APRA), which was alternately outlawed and legalized beginning in the early 1930s. While APRA never captured the presidency, it contributed to the success of other candidates and was the nucleus of a powerful opposition coalition that controlled both houses of Congress during Belaunde's 1963-1968 presidency.

During the decade after 1968, the status of the parties fluctuated, many being permitted a semilegal existence while denied an opportunity to engage in electoral activity. Most, except those of the extreme left, were permitted to register prior to the Constituent Assembly election of June 1978, with further relaxation occurring prior to the presidential and legislative balloting of May 1980, in which some 20 groups participated.

1. GOVERNMENT PARTIES

a. Popular Action (Accion Popular-AP): Founded by Fernando Belaunde Terry in 1956, the moderately rightist AP captured the presidency in 1963 and served as the government party until the 1968 coup. Democratic, nationalist, and dedicated to the extension of social service it sought to mobilize public energies for development of Peru's own term. After the 1968 coup the party split, a mainstream faction remaining loyal to Belaunde and another, headed by former Vice President Edgardo Seane Corrales, collaborating with the military junta.

Belaunde was returned to office in the 1980 election, winning 45.4 percent of the votes cast, while the AP captured 98 of 180 Chamber seats and 26 of 60 seats in the Senate.

Leaders: Fernando Belaunde Terry - President of the Republic
Fernando Schwalb Lopes Aldana - First Vice President and Prime Minister of the Republic
Javier Alva Orlandini - Second Vice President of the Republic
Dr. Manuel Ulloa Elias - Former Prime Minister

Dr. Javier Arias Stella - Secretary General

b. Popular Christian Party (Partido Popular Cristiano-PPC): The PPC was formed after a November 1967 split in the Christian Democratic Party, Luis Bedoya Reyes leading a conservative faction out of the parent group. The PPC was runner-up to APRA in the Constituent Assembly election of June 1978 and placed third in the 1980 presidential and legislative races, after which it joined the Belaunde government by accepting two ministerial appointments. In early 1982, an opposition splinter group, the National Integration Party (Partio de Integracion Nacional-Padin), was formed by Miguel Angel Mufarech, a legislative deputy who had left the PPC because of its continued alliance with the AP.

Leader: Dr. Luis Bedoya Reyes - 1980 Presidential Candidate

2. OPPOSITION PARTIES

a. American Popular Revolutionary Alliance (Alianza Popular Revolucionaria Americana -APRA): Best known by its initials but also referred to as the Peruvian Aprista Party, APRA was organized in Mexico in 1924 as a radical left-wing movement; subsequently generating considerable mass support throughout Peru. Over the years, it gradually mellowed into a mildly left of center, middle class grouping with a strong labor base. Despite long-standing antagonism between APRA and the military, its principal figure, Victor Raul Haya de la Torre, was permitted to return from exile in 1969 and was designated president of the Constituent Assembly after APRA won a substantial plurality at the election of June 18, 1978. Following his death on August 2, 1978, Haya de la Torre was succeeded as party leader by Armando Villanueva del Campo. Decisively defeated in the 1980 balloting, the party subsequently split into a left-wing faction headed by Villanueva and a right-wing faction headed by a second vice presidential candidate Andres Townsend Ezcurra, who was formally expelled from the party in January 1981.

Leaders: Arnando Villanueva del Campo - 1980
Presidential Candidate
Jorg Torres - Secretary General
Alan Garcia - Secretary General, also 1985
Presidential Candidate

b. Christian Democratic Party (Partido Democrata Cristiano-PDC): One of the many christian democratic parties that have sprung up in Latin America, the PDC has been identified with reform programs along lines favored by the Catholic Church. Its effectiveness has long been constricted by internal dissent: a conservative group broke away in 1967 to form the PPC (above), while the rump organization was refused official registration in

1980 after a cleavage between supporters of party president Marco Perez and former party president Hector Cornejo Chavez had failed to yield agreement on a single list of legislative candidates.

Leaders: Dr. Marco Perez - President
Hector Cornejo Chavez - Leader of Minority
Faction
Lily Salazar de Villaran - Secretary
General

c. Odra National Union (Union Nacional Odriista-UNO): Primarily a middle class conservative party of personalist tendency, the UNO emphasizes the need for a strong governing power but pays considerable attention to extending social services and public works. It participated in the 1980 general election without securing legislative representation.

Leaders: General Manuel A. Odría - former President
of the Republic
Victor Freundt Rosell

d. Peruvian Democratic Movement (Movimiento Democrático Peruano-MDP): The MDP is another personalist party, long organized as the Democratic Pradista Movement (Movimiento Democrático Pradista) in support of the policies of former President Manuel Prado.

Leaders: Dr. Manuel Prado y Ugarteche - former
President of the Republic
Marco Antonio Garrido Malo

e. Revolutionary Socialist Party (Partido Socialista Revolucionario-PSR): The PSR was organized in November 1976 by a group of radical army officers who had been active in the "First Phase of the Revolution" under Velasco Alvarado and who subsequently advocated a return to the objectives of the 1968 coup.

Leaders: General Leonidas Rodriguez Figueroa
Antonio Meza Cuadra - Secretary General

f. United Left (Izquierda Unida-IU): The IU was originally established prior to the 1980 election as the Frente de Unidad de Izquierda (FUI), a coalition of the PSR, the PCU (see PCP, below), and FOCEP (below). FOCEP withdrew prior to the election-ostensibly because of resurgent velasquista tendencies within the PSR with PSR leader Rodriguez Figueroa replacing FOCEP's Ledesma Izquieta as the rump group's presidential candidate. It regrouped prior to the November 1980 municipal elections, at which it captured eight departmental capitals. In December, its members decided to form a permanent grouping under the presidency of Alfonso Barrantes Lingán of the UDP (below).

Leader: Alfonso Barrantes Lingan - President

g. Peruvian Communist Party (Partido Comunista Peruano-PCP): Founded in 1928 but subsequently excluded from electoral participation by the 1933 constitution, the PCP has long been active in labor, student, and intellectual groups. The main body of the party is Moscow oriented and was registered as the United Communist Party (Partido Comunista Unidad-PCU) prior to the 1978 Constituent Assembly election, at which it won six seats. The PCU joined the United Left during the 1980 campaign. A dissident faction of the PCP is known as the Majority Communist Party (Partido Comunista Mayoria-PCM).

Leader: Jorge Prado Chavez - Secretary General

h. Popular Democratic Union (Union Democratico Popular-UDP): The UDP was formed prior to the 1978 balloting by a group of eighteen left-wing organizations that could not, at the time, agree on a coalition with the PCP. If joined with Unir (below) and a number of other leftist parties prior to the 1980 election in organizing an abortive Revolutionary Alliance of the Left (Alianza Revolucionaria de Izquierda-ARI). The UDP currently holds two seats in the Senate and three in the Chamber.

Leaders: Alfonso Barrantes Lingan - President
and 1980 Presidential Candidate Victor
Curadros Paredes

i. Revolutionary Left Union (Union de Izquierda Revolucionaria-UNIR): Unir is a Maoist-oriented group that participated in the abortive ARI prior to the 1980 election and subsequently obtained two Senate and two Chamber seats in its own right.

Leader: Horacio Zevallos

j. Workers' Revolutionary Party (Partido Revolucionario de los Trabajadores-PRT): The PRT is a Trotskyite group whose leader, Hugo Blanco, was originally designated as the ARI presidential candidate in 1980. Running separately after the demise of the ARI, the PRT secured two Senate and three Chamber seats.

Leader: Hugo Blanco Galdos - 1980 Presidential
Candidate

k. National Front of Workers and Peasants (Frente Nacional de Trabajadores y Campesinos-FNTC): The FNTC (also known as Frenatraca) is a coalition of groups whose main base of support is the Puno area. It captured one Senate and four Chamber seats in the 1980 legislative balloting.

Leaders: Roger Caceres Velasquez
Pedro Caceres Velasquez

l. Popular Front of Workers, Peasants, and Students (Frente Obrero, Campesino, Estudiantil y Popular-FOCEP): An amalgamation of thirteen left-wing (largely Maoist and Trotskyite) political groups, FOCEP was organized prior to the 1978 Constituent Assembly election. It obtained one Senate seat in 1980, several of its constituent parties having withdrawn to run separately or in coalition with other groups following FOCEP's own withdrawal from the FUI.

Leader: Genaro Ledesma Izquieta

m. Socialist Party of Peru (Partido Socialista del Peru-PSP): The PSP is a left-wing party organized in 1979.

Leader: Reynaldo Cervantes Santos

n. Movement of the Revolutionary Left (Movimiento Izquierdista Revolucionario-MIR): Originally a splinter from the youth wing of APRA, MIR became a protege of Havana and an advocate of guerrilla warfare. The movement is currently outlawed and its apparatus has been partially destroyed.

Leader: Fernando Gonzales Gasco

o. Revolutionary Vanguard (Vanguardia Revolucionaria-VR): The VR was formed late in 1966 as a revolutionary, Castroite organization whose main support is drawn from students and some labor elements. It is small, urban based political movement, several of whose members were sentenced to lengthy prison terms following a 1975 raid on a Lima water facility.

Leader: Javier Diez Canseco

p. Other groups of the extreme left include the Maoist Anti-Imperialist Revolutionary Forces for Socialism (Fuerzas Revolucionarias Anti-Imperialistas por el Socialismo-FRAS) and the Trotskyite Revolutionary Marxist Workers Party (Partido Obrero Marxista Revolucionario-POMR), both of which were FOCEP members before joining the abortive ARI prior to the 1980 balloting. The extreme right includes the Democratic Central Front (Frente de Centro Democratico-FCD) and the Democratic Armed Forces (Fuerzas Armadas Democraticas-FAD).

3. GUERRILLA ORGANIZATION

Luminous Path (Sendero Luminoso): the Sendero Luminoso originated at Ayauchu University as a small Maoist group led by a former philosophy instructor, Manuel Abimael Guzman. During

Minister of Energy and
 Mines.....Ing. Juan Inchaustegui Vargas
 Minister of Fisheries.....Dr. Ismael Benavides Ferreyros
 Minister of Economy,
 Tourism and Integration.....Dr. Alvaro Becerra Sotero
 Director, National Planning
 Inst. (INP).....Dr. Ingacio Basombrio Zender
 Director, National Institute
 of Social Communication.....Sr. Miguel Alva Orlandini
 Ambassador to the U.S.....Fernando Schwalb Lopez Aldana
 Permanent Representative to
 the United Nations.....Celso Pastor de la Torre
 Ambassador to the OAS.....Luis Marchande Stens
 President of the House of
 Representatives.....Deguberto Laniez
 Director of Prisons.....Miguel Gonzeles del Rio
 Inspector General of
 Prisons.....Armendo Castrillon

F. LOCAL GOVERNMENT

Peru is divided into twenty-four departments and the constitutional province of Callao, the country's chief port, adjacent to Lima. The departments are subdivided into provinces, which are composed of districts. Local authorities below the departmental level are elected.

G. FOREIGN POLICY

During the 1968-1980 military government and especially during the "First Phase", Peru shifted from its traditional pro-western stance. The government established diplomatic relations with most communist countries and made the role of Third World leader, in such institutions as the Non-aligned Movement, a major foreign policy goal. In December 1981 Javier Perez de Cuellar was chosen Secretary-General of the United Nations, succeeding Kurt Waldheim. He stated upon his election, "Also as a Peruvian, I am bound by my conscience to give rightful emphasis to the problems of the Third World", emphasizing Peru's leadership role.

The Andean Pact is headquartered in Lima, and Peru supports practical economic integration with the other member countries (Venezuela, Colombia, Ecuador, and Bolivia). The Belaunde government emphasizes the Andean Pact's economic dimension more than the political dimension.

Peru continues to be one of the principal proponents of the concepts of a 322 km (200 mile) territorial sea. President Belaunde also promotes concepts that could facilitate continental economic development, such as an inland waterway from Venezuela to Argentina.

U.S. relations with Peru are generally excellent, although during the 1982 South Atlantic conflict (Falklands), the Peruvian government was critical of the U.S. support for the United Kingdom. Peru has close historical ties as well as political and commercial ties with Argentina and was one of its most ardent supporters.

The principal interest of the U.S. in Peru is the stability of the democratic government. Other important interests include fostering equitable economic growth in a system conducive to international trade and investment, enhancing bilateral cooperation, especially in controlling policies in the Western Hemisphere and U.S. positions in international organizations.

H. KEY U.S. EMBASSY OFFICIALS (July 1984)

Ambassador	David C. Jordan Office: 28-6000, Ext. 245
Deputy Chief of Mission	Richard M. Ogden Office: 28-6000, Ext. 244
Director, USAID	John A. Sanbrailo Office: 28-6000, Ext. 402
Public Affairs Officer USIS	Guy W. Farmer Office: 28-6000, Ext. 314
Chief, Political Section	Robert C. Felder Office: 28-6000, Ext. 205
Chief, Economic Section	Paul Wisgerhof Office: 28-6000, Ext. 242
Chief, Consular Section	Donald E. Mudd Office: 28-6000, Ext. 375
Chief, Administrative Section	Harry E. Young Office: 28-6000, Ext. 281
Defense Attache	CPT Jack Clay Office: 28-6000, Ext. 361
Air Attache	COL Donald R. Delaney Office: 28-6000, Ext. 363
Army Attache	COL Philip DiMauro Office: 28-6000, Ext. 362
Special Agent in Charge DEA	Peter J. Rieff Office: 28-6000, Ext. 225
Agricultural Attache, FAS	Kenneth Murray Office: 28-6000, Ext. 275
Labor Attache	Louis F. Licht Office: 28-6000, Ext. 256
Commercial Attache	Thomas Porter Clary Office: 28-6000, Ext. 352
Chief, MAAG	COL Donald Carty Office: 28-6000, Ext. 373
Project Director, IAGS	LTC Walter Berk Office: 28-6000, Ext. 396
Act. Chief, Narcotics Assistance Unit	George Summers Office: 28-6000, Ext. 278

IN-COUNTRY RESOURCE ANALYSIS

SUMMARY MATRIX

CHAPTER 3
LEGAL SYSTEM AND
PROPERTY CONTROL

Resource Category	Estimate of Availability Status
GENERAL	Under the 1979 Constitution citizens are guaranteed equality, rights of expression, non-violent assembly, habeas corpus, the right to strike and other freedoms. Judicial power rests with the courts. The highest court is the Supreme Court which has nationwide jurisdiction.
CRIMINAL COURT STRUCTURE	Superior Courts sit in each of the 24 departmental capitals and Courts of the First Instance sit in the provincial capitals. Courts of the First Instance are divided into civil, penal and special chambers and have original jurisdiction over all serious crimes. Justices of the Peace are the nation's lowest courts. They are found in most population centers.
PROPERTY CONTROL	Before 1968 one percent of the landowners controlled 80 percent of the arable land. The agrarian reform law instituted by the military rulers during this period redistributed the land affecting 40 percent of the country's agricultural land and 25 percent of the rural families.

CHAPTER 3

LEGAL SYSTEM AND PROPERTY CONTROL

A. GENERAL

Under the 1979 Constitution, Peruvian citizens are guaranteed the right to equality under the law; the rights of free expression, non-violent assembly, and habeus corpus; the right to strike; and freedom from torture or inhuman treatment within the judicial system. Capital punishment is forbidden except for those crimes of treason in time of war. The right to strike is specifically granted to public sector employees except those with decision-making powers and members of the armed forces and police. A Court of Constitutional Guarantees consisting of nine members was established to uphold the human rights standards set by the Constitution.

During the period of military government, civilians were also subject to the Code of Military Justice. However, with the implementation of the new constitution, trials in military courts are prohibited except in the case of treason during wartime.

The Penal Code is divided into four books which deal with the general provisions, description of felonies, description of misdemeanors, and application of punishment. Felonies are divided into categories such as crime against the person, against the family, or against property; crimes against the state, against public security, and against public order; and crimes involving moral turpitude. The code provides for a wide variety of punishments, including the death penalty by firing squad.

B. COURTS

A sixteen-member Supreme Court, seated in Lima and with nationwide jurisdiction, is the highest court. Superior courts sit in departmental capitals and hear appeals from decisions by lower courts within their respective jurisdictions. Courts of first instance sit in provincial capitals, are divided into civil, penal, and special chambers, and have original jurisdiction over all serious crimes. Justice of the Peace are the nation's lowest courts. These courts are found in nearly all local population centers and hear all cases involving petty crimes and minor civil matters.

All judges are appointed by the President from lists presented by the National Justice Council and are subject to the approval of the Senate. Judges are given permanent appointments and are required to retire at age seventy. Judicial tenure and appointment procedures are

designed to make the judiciary more independent than in the past.

The National Judicial Council consisting of seven members receives and reviews complaints on the conduct of Supreme Court Judges. As such review may warrant, and at its discretion, the complaint may be passed on to the Attorney General for appropriate action. The Supreme Court investigates the conduct of lower court judges.

Also, an arm of the judicial branch is the Public Ministry, the Attorney General and the Attorneys Before the Courts. This body is to defend the rights of the nation's citizens and the public interest against encroachment by any public official.

In the 1979 Constitution, efforts were made to reform the judiciary and speed up the judicial process. Constitutional provisions stipulate that two percent of the annual government budget be made available to the judiciary.

C. LIST OF ATTORNEYS (LIMA AND SURROUNDING AREA ONLY)

See Attachment A

D. PROPERTY CONTROL

During the period of military rule, far reaching programs of reforms were attempted. The agrarian reform program was perhaps the most dramatic which brought about a substantial redistribution of land. The major elements of the law included the confiscation and breaking up of large holdings and the consolidation of small and inefficient holdings.

Before the 1968 regime only one percent of the land-owners controlled close to 80 percent of the arable land. The agrarian reform law fixed the maximum individual holdings at 150 hectares in coastal land and between 15 and 55 hectares of irrigated land in the Sierra. Maximum holdings of forest or pasture lands were set at 1,500 hectares. Further, the law required that owners live on their property, that agricultural workers participate in the profits and management, that all forms of farm rentals be abolished, and that the exchange of personnel services for the use of land be discontinued. Farm units under three hectares were forbidden, and an amalgamation of small plots was encouraged.

By 1908 land redistribution involved nearly 40 percent of the country's agricultural land and affected about one-quarter of the rural families. Farm units with 8.8 million hectares adjudicated to 379,000 families. Only 43,000 families received land as individuals, totaling 683,000 hectares.

ATTACHMENT A

LIST OF ATTORNEYS

ALARCON BRAVO DE RUEDA ABSALON
 279 Pachitea.....27-0794
 ALARCON GUAYLUPO JORGE
 164 Av S Pena.....29-3633
 ALARCON M JORGE M
 164 Av S Pena.....29-4375
 ALARCON REVILLA JORGE A
 742 Av N de Pierola.....23-6885
 ALMEIDA FAGGRI JULIO DE
 117 Av Sto Toribio.....41-4485
 ALZAMORA VALDEZ MARIO
 298 Bolivar.....44-4223
 ALLEMANT GARCIA JOSE RICARDO
 111 Av P de la Republica.....28-2878
 ALLEMANT MUNOZ JOSE MARCELO
 111 Av P de La Republica.....28-9301
 ALLEMANT MUNOZ JOSE RICARDO
 111 Av P de la Republica.....28-9301
 AMORETTI PACHAS MARIO
 1115 Lampa.....28-6947
 AMPUDIA AGUIRRE MILTON
 1045 Azangaro.....27-2653
 ANDALUZ ANTONIO W ABOGADOS
 Edif Torre de Lima Piso 24.....24-0625
 ANDRADE CARMONA AIBERTO
 154 Psje La Florida.....41-0993
 ANGELES FIGUEROA ARTEMIO
 337 Apurimac.....27-9024
 ANGELUDIS GALLARDO GUILLERMO
 215 Mapiri.....28-1043
 ANGELL HOEFLEN JORGE
 758 Av San Felipe.....32-6403
 ANICAMA BOHORQUEZ MANUEL
 157 Moquequa.....28-5758
 ANTEZANA CANALES MIGUEL
 1072 Azangaro.....28-9007
 ANTICONA M JUAN P
 719 Carabaya.....27-7259
 ANTUNEZ Y VILLEGAS LUIS ENRIQUE
 780 Camana.....27-4139
 APARICIO VALDEZ FELIPE
 376 A M Quesada.....27-2515
 APARICIO VALDEZ GERMAN
 417 Cuzco.....28-0764

APARICIO VALDEZ LUIS
 285 P Bermudez.....24-4027
 AQUEZOLO CASTRO MANUEL A
 892 Union.....27-9007
 ARAMBURU MENCHACA JAVIER
 949 Av Angamos Este.....36-8060
 ARAMBURU NORIEGA JAVIER
 949 Av Angamos Este.....36-8060
 ARAOZ VILLENA ALBERTO
 160 Ocona.....28-9580
 ARIAS PADILLA FRANCISCO
 291 Av P de la Republica.....27-4498
 ARIAS SCHREIBER ERNESTO
 120 Independencia.....47-1851
 ASSERETO J ROMULO
 165 Av S Pena.....65-8192
 AVALOS & ASOCIADOS ABOGADOS
 1080 Av Arenales.....71-0975
 AVENDANO JUAN LUIS
 236 Av Santa Cruz.....40-3583
 AYALA NORIEGA FRANCISCO
 1139 Lampa.....27-7416
 BARREDA MOLLER JOSE
 441 Las Begonias.....41-9278
 BARRETO QUELOPANA FEDERICO E
 1359 Puno.....27-5302
 BARRIOS FUENTES URQUIAGA ABOGADOS
 250 Arias Araguez.....45-4000
 BARRIOS ORBEGOSO RAUL
 250 Arias Araguez.....45-4000
 BARTRA CAVERO MARIO O
 111 Av P de la Republica.....27-1392
 BELLIDO RIOS LUIS ALBERTO
 161 Psje M de los Rios.....32-8304
 BERETTA ROCIO ALDO
 836 Chinchon.....41-4499
 BERGER ALBERTO
 395 Av P de la Republica.....31-4473
 BIASEVICH BARRETO ALFREDO
 383 Av Larco.....47-9445
 BLUME FORTINI ERNESTO ESTUDIO DE ABOGADOS
 390 Camana.....27-4977
 BONILLA PALACIOS WALTER
 354 Pachitea.....27-3003
 BOURONCLE PERALTA ARTURO
 199 D Olachea y Olachea.....31-3527
 BRICENO PONCE ENRIQUE
 981 Av N de Pierola.....27-7614
 BUSTAMANTE MEJICO CATALINA
 719 Carabaya.....27-9319
 CANTUARIAS ALFARO FERNANDO
 Estudio.....28-7493

CARPIO ALCOGER ALFONSO
 1159 Carabaya.....28-0033
 CARRENO MENDIOLA FEDERICO
 346 Av S Pena.....65-9142
 CASTANEDA R. LUIS
 236 Av Santa Cruz.....40-3429
 CASTILLO LAGUNA ALBERTO
 483 Ucayali.....27-0890
 CASTRO GRANDE LUIS
 271 Av Emancipacion.....28-0641
 CIUDAD REYNAUD ADOLFO
 589 Av 6 de Agosto.....23-8868
 CUBA CASTRO LUIS ALBERTO
 866 Azangaro.....28-5728
 CUROTTO BENAVIDES OSCAR A
 1075 Azangaro.....27-0042
 CHANJAN REQUENA GUILLERMO
 1115 Lampa.....27-2024
 CHAU VILLANUEVA WILFREDO
 482 R Torrico.....28-4531
 CHAVEZ MARMANILLO JUAN GUALBERTO
 385 Av Roosevelt.....28-7344
 CHAVEZ SIFUENTES A ARIOVISTO
 354 Pachitea.....28-7095
 CHIRINOS MEDINA, ABOGADOS
 875 Chinchon.....41-8420
 DANNON LEVY YAQUIR
 701 J de Arona.....41-6514
 DANINO ZAPATA ROBERTO
 250 Arias Araguerz.....45-4000
 DE LA TORRE ODAR LUIS ALFONSO
 360 A M Quesada.....28-0047
 DE LOS HEROS GRAU AUGUSTO
 376 A M Quesada.....28-3002
 DE PIEROLA ROMERO FERNANDO
 732 Av Inco G de la Vega.....23-8414
 DELFINO P NICOLAS
 236 Av Santa Cruz, San Isidro.....40-3583
 DENEGRI LUNA FELIX
 275 D Valdivia.....41-6835
 DERTEANO LIONEL
 220 Pza Francia.....24-6374
 DEXTRE CORDOVA PAUCO D
 430 Azangaro.....27-0518
 DIAZ DIAZ VICTOR HUGO
 430 Azangaro.....27-0518
 DIAZ POMAR NELSON
 111 Av P de la Republica.....27-9402
 DONAYRE BARRIOS GUILLERMO
 160 A Tamayo.....40-7147
 DUANY, INDACOCHEA & KRESALJA ABOGADOS
 3195 Av P de la Republica.....40-5615

DUANY PAZOS JUAN
 3195 Av P de la Republica.....40-5615
 EAST ALVAREZ CALDERON EMRIQUE
 780 Camana.....28-0072
 ECHECOPAR IRIARTE FELIPE
 160 Ocona.....28-9580
 ESPINOSA BELLIDO FRANCISCO
 3832 Av P de la Republica.....40-9955
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 FERRERO COSTA EDUCARDO
 220 N Sanchez.....23-9069
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 FLORES SANCHES WENSHEN ALBERTO
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 250 Arias Araguez.....45-4000
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 921 Lampa.....28-2533
 GARCIA BLASQUEZ LARA LUIS
 592 Av Tacna.....24-1019
 GARCIA CARCIA LUIS
 383 Av Larco.....47-9445
 GARCIA & BIASEVICH ABOGADOS
 383 Av Larco.....47-9445
 GARLAND GONZALO
 125 N Sanchez.....32-3048
 GONZALEZ D'ANGELO VICENTE
 291 P de la Republica.....27-2628
 GRAU M MIGUEL
 3705 Av P de la Republica.....22-6306
 GRELLAUD GUZMAN GUILLERMO
 949 Av Angamos Este.....36-8060
 GUTIERREZ MAGALLANES GREGORIO
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 HERNANDEZ BERENGUEL DUILIO A
 259 Ucayali.....27-3748
 HEROS ALFONSO DE LOS
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 HORNA TORRES JOSE
 150 Ucayali.....28-6843
 HUARCAYA CARLOS AUGUSTO
 1050 Azangaro.....27-0626
 ISOLA MAX
 236 Av Sta Cruz, San Isidro.....40-3429

JIMENEZ GARCIA GUSTAVO
 161 Ucayali.....27-1546
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 296 M Aljovin.....28-6823
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 290 M Aljovin.....27-4589
 LIMACO ALARCO ENRIQUE
 993 Camana.....27-6511
 LINARES ALARCON VICTOR G
 476 Av Rep de Chile.....23-6224
 LIND P NORBERT
 592 Av Principal.....41-4216
 LOPEZ GONZALEZ GODOFREDO
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 160 Ocona.....28-9580
 NODA NISHIMOTO JUAN
 764 Ayacucho.....28-0494
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 OSORIO ARRASCUE SANTIAGO
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 OTERO VILLARAN JUAN
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 PARRA MORZAN JOSE
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 PATINO AGUIRRE CARLOS
 130 Huallaga.....27-7482
 PENA BENAVIDES MARIANO
 732 Av Inca G de la Vega.....23-2891
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 1075 Azangaro.....28-0200
 PINTO RUIZ LICURGO M
 677 Av N de Pierola.....28-2801
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 QUIROS URTEAGA HERNAN
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 VALIENTE Y LAMA S AUGUSTO
 1159 Carabaya.....28-2231
 VASERMAN & LAZO ABOGADOS
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 291 Av P de la Republica, Lima.....28-9302
 VIDAL RAMIREZ FERNANDO
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 ZANABRIA ZAMORA JULIO R
 337 Apurimac, Lima.....27-0476
 ZELAYA SIMBRON CARLOS ALBERTO
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 ZOLEZZI IBARCENA LORENZO
 2450 Av Arequipa.....22-8976
 ZOLEZZI Y VALEGA ABOGADOS
 2450 Av Arequipa.....40-5229

IN-COUNTRY RESOURCE ANALYSIS

SUMMARY MATRIX

CHAPTER 4
MILITARY, PUBLIC SAFETY
AND CIVIL DEFENSE

Resource Category	Estimate of Availability Status
MILITARY	The Armed Forces of Peru consists of the Army, Navy, Air Force plus the police forces (Civil Guard, Peruvian Investigative Police-PIP, Republican Guard). The police forces are primarily concerned with internal order but when directed by law participate in national defense.
PUBLIC SAFETY	The principal police force is the 58,000 man Civil Guard. They have all the rights, perquisites and rank of the military forces. Other public safety forces include the Peruvian Investigative Police, a plainclothes national force and the Republican Guard who supervise and maintain the penal system.
PENAL FACILITIES	Detention facilities are located in all 24 departments, but most of the large facilities are located in and around Lima. The Republican Guard maintains the facilities.
DRUG PROBLEM	Peru is the source of over one-half the world's supply of cocaine. The current administration is working closely with the U.S. Drug Enforcement Administration to reduce this source.

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TAB 4

CHAPTER 4

MILITARY AND PUBLIC SAFETY

A. GENERAL

The Constitution of the Republic of Peru contains provisions for an armed forces and national police forces. The armed forces (Army, Navy, and Air Force) are concerned with national defense, and the police forces (Civil Guard, Peruvian Investigative Police, and Republican Guard) are primarily responsible for internal order. However, under certain circumstances, the armed forces assumes responsibility for internal order and, when directed by law, the police forces participate in national defense. Members of each force are subject to the Code of Military Justice.

The armed forces have played a prominent role in Peru's history. Of the seventy-eight Presidents since independence from Spain in 1821, fifty-two have been military officers. Further, during recent military rule, most cabinet posts and many other positions in government including the nationalized segments of the economy, were staffed by military officers. However, the 1979 Constitution expressly forbids an active duty military officer becoming President. Also, other provisions of the Constitution prohibits active military personnel from voting or running for public office.

The President of the Republic is Supreme Chief of the national police forces and the armed forces. As Supreme Chief, the President is empowered to organize and deploy the armed forces and is vested with the authority to declare war with the authorization of Congress. In his national defense role, the President is advised by the Ministers of War, Navy, and Aeronautics.

For many years following World War II, the United States had considerable influence on the Peruvian military. Practically all of the arms and equipment were of American manufacture, and the organization, doctrine, and training programs were based on American models. In addition to a large all-service U.S. Military Mission in Peru, several hundred officers and enlisted men were trained by U.S. schools in Panama. However, during the 1960s, tension developed between the United States and the Peruvian government; consequently, Peru turned to other foreign governments for arms.

During the 1970s, Peru embarked on an arms modernization program for all military services. The major supplier for the

Army and Air Force became the Soviet Union, as Peru took advantage of long-term, low-interest Soviet loans. Purchases during this time included:

1. For the Army, Soviet-built T-55 tanks, rifles, modern artillery, surface-to-air missile systems, and helicopters.
2. For the Air Force, Soviet-built supersonic fighter-bombers (SU-22s), helicopters, assault transport aircraft, surface-to-air missiles, and anti-aircraft guns, U.S.-built helicopters and transports, and Italian-built advanced training aircraft.
3. For the Navy, West German submarines, a converted Dutch helicopter cruiser, Italian missile frigates and helicopters, French missile patrol boats, used Dutch destroyers, and U.S. helicopters.

Approximately four percent (S/.44.5 billion) of Peru's Gross National Product (GNP) is spent for defense. Although an economic burden, Peru has established a formidable military force in the region.

B. ORGANIZATION

The chain of command in the armed forces extends directly from the President to the Commanders in Chief of the three services—Army, Navy, and Air Force. The Commander-in-Chiefs are: Army—Gen. Div Julian Julia Frezre, Navy—Vice Admiral Juan Equisquiza Babilonia, and Air Force—Lt Gen Cesar Enrico.

1. ARMY

The army is the senior and most influential service. The Army is comprised of approximately 75,000 members, 6,000 of which are regular officers. There are eight infantry and mechanized divisions, one para-command and eight infantry and two armoured reconnaissance squadrons and ten artillery and four engineer battalions. (The Peruvian divisions are equivalent to the U.S. brigades.) Also, there is an air element of four Heli Courier 395 communications aircraft. Equipment consist of approximately 420 tanks (T-54/55, M-4 and AMX-13), over 100 light armoured fighting vehicles and 105-mm./155-mm. field artillery.

Peru's army is deployed in five military regions:

a. FIRST (HQ PIURA): Tumbes, Piura, Lambayeque, Cajamarca, and Amazonas departments.

b. SECOND (HQ LIMA): La libertad, Ancash, Lima, Huancavelica, and Ica departments plus the Constitutional Province of Callao.

c. THIRD (HQ AREQUIPA): Arequipa, Moquegua, and Tacna departments.

d. FOURTH (HQ CUSCO): Puno, Cusco, Apurimac, Junin, Pasco, Huanuco, San Martin, Auacucho, and Madre de Dios departments.

e. FIFTH (HQ IQUITOS): Loreto and Ucayali departments.

An assistant chief of staff directs each of the four major sections of the Army's general staff—personnel, intelligence, operations, and logistics. The special staffs include engineers, communications, ordnance, finance, medical, research and development, reserves, pre-military training, and the chaplain service. The directors of the special sections report to the Chief of Staff. (A list of key officer personnel is shown in Attachment A.)

2. NAVY

Total estimated manpower of the Navy in 1983 was 20,500 (2,000 officers, 18,500 men, including naval air arms). Also, there is one Marine brigade of 2,500 men armed with amphibious vehicles and armoured cars. The strength of the fleet consists of twelve submarines, two cruisers, ten destroyers, two frigates, six fast attack craft—missile, four lake/river patrol craft, five river gunboats, five landing ships, two transports, seven tankers, four survey vessels, four floating docks, five tugs, four water carriers, one floating workshop, three hospital crafts and one torpedo recovery vessel. The Naval Air Arm is equipped with both fixed wing aircraft and helicopters, employed generally in anti-submarine reconnaissance and search and rescue missions.

The Naval Fleet is organized into three areas:

- a. Pacific Naval Force (HQ Callao)
- b. Amazon River Force (HQ Iquitos)
- c. Lake Titicaca Patrol Force (HQ Puno)

The ocean-going Navy operates from bases at Callao, San Lorenzo, and Talara. The main naval base at Callao and the shipyard are also located in Callao. Smaller bases are at Iquitos on the Amazon and at San Lorenzo (submarine).

3. AIR FORCE

The approximate manpower of the Air Force is 40,000 personnel and 120 combat aircraft. The operational force consists of air wings.

a. Number 13 Group has two squadrons of Mirage V jet fighters and one squadron of A-37B light attack aircraft.

b. Number 21 Group has two squadrons of Canberra light jet bombers and one squadron of A-37Bs.

c. Number 12 Group has Soviet-built SU-22 variable-geometry fighter bombers in two operational squadrons.

d. Other aircraft in service includes medium transport (one F-28 Fellowship, sixteen AN-26, eight C-130), light transports (thirteen twin Otter, fifteen Buffalo and twelve Turbo-Porter), helicopters (six MI-6 and a total of fifty-four MI-8, Bell 212, Alouette III and Bell 47G), eighty-five training aircraft (including Aermocci MB-339, T-33, T-34, T-37 and T-41D) and a small number of miscellaneous types for photographic and communications duties. Two DC-9s and some of the C-54 and C-130 aircraft are used by the Air Force to run a commercial airline network (SATCO). Military airfields are located at Talara, Chiclayo, Piura, Pisco, Lima (2), Iquitos and La Joya, and a seaplane base at Iquitos.

The Air Force has a voice in civil aviation policy and operation. The national airline, Aeroperu, is considered an auxiliary of the Air Force.

4. THE JOINT COMMAND is an advisory group consisting of the chiefs of staff. The mission of the body is to provide the President with information and advice on military matters. The Joint Command, in addition to its advisory and planning responsibilities, also monitors national intelligence reports and supervises the operation of the Center for Higher Military Studies.

C. MANPOWER, TRAINING AND RESERVES

1. MANPOWER

The Constitution states that all Peruvians are obligated to participate in national defense. All males between the ages of 18 and 50 are subject to military service. About twenty-two percent of the Army are volunteers. The remainder are conscripts who serve two-year tours. Conscripts serve in the Navy and Air Force but in small numbers. Also, women may volunteer for active duty, but only a limited number are serving in noncombat positions.

Only a small percentage of the physically qualified men (estimated to be 2.7 million in 1980) are required to serve. Annually, about 177,000 males become eligible for conscription as they reach age twenty, but exemptions are granted for so many reasons resulting in very few being taken in the armed service

each year. Women are also required to register for conscription but are not drafted during peacetime.

Indians constitute the majority of conscripts. The law provides that anyone failing to register may be summarily inducted and because so many Indians do not register, police round-ups of nonregistrants frequently fill an area's quota eliminating the necessity of drafting non-Indians.

2. TRAINING

The military training system in Peru is the most comprehensive in all of Latin America. The military establishment is proud of its reputation throughout the world for its educational program.

a. ENLISTED PERSONNEL

Basic training is given to recruits by the service in which they serve. Upon completion, members continue on-the-job training throughout the initial two-year tour of duty. Qualified conscripts who wish to follow a military career are sent to technical schools from which they become technicians. Other skills as well as basic Spanish is taught to Indian conscripts.

b. OFFICER PERSONNEL

Officers, most of whom come from middle-class Mestizo families to whom a military career offers free education and a valued means of social elevation, are trained at the service academies.

The Army educational system is administered by the Peruvian Center of Military Instruction (CIMP). The Military Academy located at Chorrillos, near Lima, founded 1896, and the branch schools (infantry, artillery, armour, engineer, signal, ordnance, medical, veterinary, and paratroop) are supervised by the commanding general of CIMP. The Army also administers military secondary schools in the cities of Callao, Arequipa, Trujillo, and Chiclayo. The Superior War College (not under the supervision of CIMP) is a rugged two-year advanced military course.

The Center of Naval Studies supervises the education and training of Navy cadets, officers and enlisted personnel at the Naval Academy, the Naval War College, and the Naval Technical and Training Center. The Naval Academy offers university-level courses to cadets, who after graduation are commissioned in the rank of frigate ensign. The Naval War College, comparable to the Superior War College of the Army, is highly sought after for advancement and professional opportunities. The Naval Technical and Training Center offers courses for officers and enlisted men

in electronics and engineering in addition to many other specialized subjects. All naval training takes place in the Callao area.

The Aeronautical Instruction Center Command supervises the Air Force Academy, the Air University, and the Technical Training School. All officers and pilots are trained at the Air Force Academy at Lima (Las Palmas). Academy graduates are commissioned second lieutenants. The Air University offers the Squadron Officers Course for lieutenants and captains, the Command and Staff Course for majors and lieutenant colonels, and the Air War College Course for colonels. The Technical Training School offers lengthy courses for technical specialist needed for the operation of a modern Air Force.

The most significant element in Peruvian military education system was the establishment in 1958 of the Center for Higher Military Studies (CAEM). CAEM is a joint-services staff college which is open to lieutenant colonels and colonels (and Navy equivalents), to high-ranking police officials, and to selected civilians of comparable rank and maturity. Included in the curricula are economic, political and social subjects. CAEM has awakened the officer corps to the social problems of Peru and apparently has brought about a redefinition of the armed forces responsibility for the preservation of order for all people. The military commissioned officer rank is shown in Attachment B.

3. RESERVES

These consist of the Reserve in which conscripts spend ten years after active duty, and the National Guard, a second-line reserve, to which reservists then transfer.

In the past both bodies appeared to be purely paper organizations. However, during the years of military rule, the government gave some attention to the reserve forces. Now, by law, each of the services organize and regulate its own reserve services according to its need.

There are two categories of reserves—trained and untrained active reserve. The trained active reserve consists of officers and enlisted personnel who have served on active duty and those civilians who took mandatory military training courses in schools and colleges. Untrained reservists are those who have no military training or experience and include all men between 19 and 50, and women between 19 and 45 who are not on active duty.

Laws protect the jobs of reservists who are called to active duty and also provide for remuneration.

D. PUBLIC SAFETY

1. POLICE

The President is designated by the Constitution as the Supreme Chief of the National Police Forces. The specified police forces are Civil Guard, the Peruvian Investigative Police, and the Republican Guard. Under the overall direction of Luis Percovich, Minister of Interior, the purpose of the police forces is to maintain internal security. In addition, they are directed to preserve public order, guarantee compliance with the laws, protect the security of individuals and property, and prevent and control crime. Members of the police forces are subject to the Code of Military Justice.

Many cities maintain municipal police forces. These are small in numbers and their functions are limited to minor local affairs. The municipal police are in no sense competitors with the national forces.

a. CIVIL GUARD

The principal police force in Peru is the armed, uniformed, Civil Guard. The strength is estimated to have increased to 58,000. Originally, when organized, it was intended that the Civil Guard become a counterforce to the Army, therefore, the guard was outfitted with military uniforms, weapons, and equipment and given the same ranks, rights, and prerequisites enjoyed by military officers. However, despite all these initiatives, the guard lacks political influence.

The national headquarters and the principal training center of the Civil Guard are located in an area of Lima known as La Campina. The Civil Guard have five regional commands with headquarters (corresponds to the five military regions) in the cities of Piura, Arequipa, Cusco, Iquitos, and Lima. The regional commands provide the major territorial links in the chain of command from the national headquarters to local commands, police stations and posts located throughout the country. Commands are located in all department capitals as well as in many provincial capitals, and police stations and posts are found in towns and villages in every part of the country.

The size of units vary according to the density of population in an area and the size of the territory to be patrolled. Units at the department level usually consists of several hundred officers and guardsmen under the command of a sergeant to thirty or forty commanded by a lieutenant. Small village posts may only have a single guardsman assigned. Large units located in major cities are divided functionally into sections for crime prevention, traffic control, crowd control, and other categories of routine police work.

The general staff at the main headquarters is patterned along the lines of a higher military organization. The guard is an all-volunteer force, consisting to a large extent of people who entered police work as a career field either as officers or guardsmen. A large percentage of the enlisted personnel previously served in the armed forces. Pay is good, consequently, the annual turnover rate is low.

A special force unit (approximately 2,000 officers and enlisted), referred to as the State Security Force, exists within the guard. This police unit is a highly trained, commando type, anti-terrorist force and although based in Lima, is capable of operating in any area of the republic as a quick response paramilitary force, either as a unit or as separate detachments when smaller forces are required. The commander of the special force unit reports directly to the commander general of the Civil Guard.

b. PERUVIAN INVESTIGATIVE POLICE (PIP)

The PIP, a plainclothes national police force supervised by the Minister of Interior, is headquartered at Patao-Rimac in Lima. The PIP, which includes a small number of women among its agents, is specifically charged with investigatory duties in criminal cases and through its state security branch (Seguridad del Estado) with counterintelligence. The PIP has established regional headquarters in the cities, (same cities as the military and Civil Guard), of Piura, Lima, Arequipa, Cusco, and Iquitos. The regional headquarters direct all operations occurring in the region.

The PIP operates its own Center of Instruction in the Lima suburb of San Isidro.

c. REPUBLICAN GUARD

The Republican Guard is uniformed and armed. The primary function of the guard is the custody and maintenance of Peru's penal system. Secondary responsibilities include the guarding of government buildings and the operation of the border patrol. A Republican Guard Center of Instruction has been established to coordinate its educational and training programs.

2. PENAL SYSTEM

The Penal System is administered by the General Directorate of Penal Establishments, a division of the Ministry of Interior. The penal system is intended to facilitate the re-education and rehabilitation of prisoners rather than punishment.

Positive efforts have been made by the government to reform

the penal system. However, due to bureaucratic red tape and severely overcrowded facilities, the reform program has bogged down.

Prison population figures are not available. The last reported figures during the mid-1970s was 15,000; however, due to recent incidents of civil disorder the prison population has probably increased.

Detention facilities exist in all departments, but most of the large institutions are located in the general area around Lima. Prisoners have a constitutional right to healthful and adequate facilities, but prison conditions are much the same as they have always been—overcrowded, squalid, and primitive.

The El Sexto Prison located in downtown Lima has a 1,500 inmate capacity, and the penitentiary located at Lurigancho, in the suburb of Lima, has 2,000 inmate capacity, although reliable reports show that inmate population is more than double the authorized capacity. Similarly, the prison at Callao, where political prisoners are held, is dangerously overcrowded, sanitary conditions are inadequate, and the food and drinking water is unhealthy.

The Prison Colony of El Fronton is located on a small island (Isla Fronton) just off the port of Callao. El Fronton which houses the most dangerous convicts is considered to be a maximum security area. Executions by firing squad are carried out at the prison.

El Sepa is an agricultural penal colony located in the jungle of the Loreto department about 430 kilometers east of Lima. Some prisoners sentenced to El Sepa are allowed to take their families to the colony.

Women prisoners are generally confined in the women's prison located in Chorrillos. This institution is reported to be in fairly good condition in comparison to other institutions in the penal system.

3. DRUG PROBLEM

Peru is the source for over half the world's supply of cocaine. The national police forces have had considerable success in breaking smuggling operations and recently launched a campaign to stem the illegal cultivation of the cocoa plant. The United States Drug Enforcement Administration has worked closely with the Peruvian units, supplying training, equipment, and financial support.

The cocoa plant is grown in the areas around Pucallpa, Tingo Maria, and Tarapoto. Efforts to destroy cocoa plantations have

been met with stiff resistance from peasants growing illegal crops, particularly in the Huanuco department.

Peru is determined to control drug trafficking. A number of drug traffickers, including some high ranking officials, have been arrested. Peru also joined Brazil, Colombia, Ecuador, Panama, the United States and Venezuela in a joint effort to crack down on the international drug traffic. Reportedly, the cocaine traffickers are responsible for supplying the guerrillas of the "Shining Path" group with weapons.


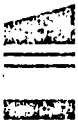

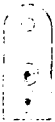

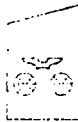


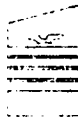


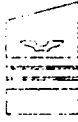
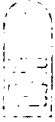

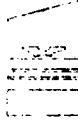


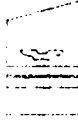
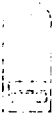

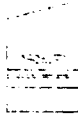


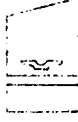
ATTACHMENT A

COMMANDING GENERALS AND THEIR COMMAND - PERU

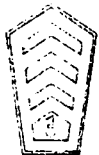


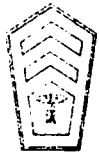





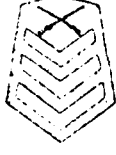








Minister of War.....	Gen Div Oscar Brush Noel
Commanding General of the	
Army.....	Gen Div Julian Julia Freyre
Chief of Staff - Army.....	Gen Div Francisco Maury Lopez
Inspector General of the	
Army.....	Gen Div German Ruiz Figueroa
Commander of Personnel of	
the Army.....	Gen Div Luis Arenas Munoz
Commander of Logistics of	
the Army.....	Gen Div Jorge Torres Aciego
2do Commander COLOGE.....	Gen Brig Juan Malatesta
	Sebastia
Commander-Allied Forces.....	Gen Div Guillermo Monzon
	Arrunategui
Commander-Army Academy	
Center.....	Gen Div Enrique Lopez Arbujar
Commander-2d Military	
Region.....	Gen Div Cincecio Jarama Davila
Commander-Military Industry...	Gen Div German Parra Herrera
Secretary of Defense.....	Gen Div Jorge Flores Torres
Center for Higher Military	
Studies-Sub-Director.....	Gen Brig Roque Yopez Gordon
Secretary General Min. War....	Gen Brig Dionisio Merino
	Collantes
Sub-JEMGE.....	Gen Brig Rodolfo Rios Vallejos
Sub-Inspector General.....	Gen Brig Jose Lock Figueroa
Director of Army	
Intelligence.....	Gen Brig Raul Zevallos Romero
2do Commander COPERRE.....	Gen Brig Edwin Diaz Cevallos
Inspector COPERRE.....	Gen Brig Jose Del Solar
	Cespedes
Chief of Army Personnel.....	Gen Brig Jose Reynoso Cuentas
Adjutant General of the Army..	Gen Brig Herman Hamann
	Carrillo
Chief of Personnel	
Administration.....	Gen Brig Luis Vargas Flores
Inspector COLOGE.....	Gen Brig Carlos Balcarsal
	Canales
Director of Army Personnel....	Gen Brig Victor Rojo Guimarey
Director Asuntos Sico	
Sociales.....	Gen Brig Juan Fernandez Davila
	Velez
Director of Instruction.....	Gen Brig Edmundo Boca Negra
	Arroyo
Director of Plans and	
Operations.....	Gen Brig Lorenzo Cardenas Caro

Director of Logistics.....	Gen Brig	Guillermo Jimenez Rossell
Director of Mobilization.....	Gen Brig	Victor Silva Tuesta
Director of Economy.....	Gen Brig	Felix Vilela Carrillo
Director of Communication.....	Gen Brig	Augusto Llanos Olivares
Office of National Development.....	Gen Brig	Jose Alfaro Moreno
Office of National Investigations.....	Gen Brig	Rodrigo Benavides Uribe
Service of Army Engineers.....	Gen Brig	Julio Roncalla Pio
Service of Army Management....	Gen Brig	Carlos Ribbeck Melendez
Service of War Material.....	Gen Brig	
Chief of Army Health Service..	Gen Brig	Julio Sanchez Quiroz del Valle
Chief-Communications Service..	Gen Brig	Arturo Lopez Pardo Figueroa
Chief-Army Transport Service..	Gen Brig	Lucio Blanco Lopez
Commander 2d SRM.....	Gen Brig	Oscar Ramirez Martinez
Chief of Staff SRM.....	Gen Brig	Atilio Mantilla Vera
Military School-Chorrillos....	Gen Brig	Raul Briceno Zevallos
National Geographic Institute.....	Gen Brig	Jorge Rosales Viera
Scientific Technological Institute.....	Gen Brig	Abraham Arancibia Carrasco
Intermediate Academy of the Army.....	Gen Brig	Antonio Palomino Toledo
Military Justice Supreme Council President.....	Gen Brig	Adolfo Macha Bardales
War College.....	Gen Brig	Alejandro Antunez de Mayolo
CCAAE-Inspector.....	Gen Brig	Victor Valdivia Rivera
Second Region Military Inspector.....	Gen Brig	Clemente Acevedo Guerrero
Aviation of the Army.....	Gen Brig	Samuel Rubio Arevalo
Hospital Military Central.....	Gen Brig	David Chaparro Chaparro
Division of Aeronautic Transport.....	Gen Brig	Clifford Casas Elias
Home Military Forces of the Republic.....	Gen Brig	Ramiro Galvez Acosta

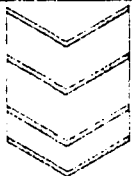


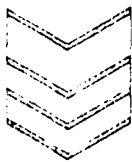
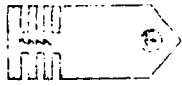
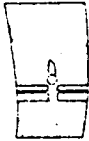
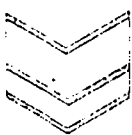




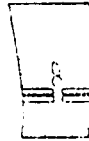

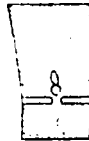
ATTACHMENT B

ARMY	NAVY	AIR FORCE
General de División 	Vice Almirante 	Teniente General 
Division General	Vice Almiral	Lieutenant General
General de Brigada 	Contralmirante 	Mayor General 
Brigadier General	Rear Admiral	Major General
Coronel 	Capitán de Navio 	Coronel 
Colonel	Navy Captain	Colonel
Teniente Coronel 	Capitán de Fragata 	Comandante 
Lieutenant Colonel	Frigate Captain	Commandant
Mayor 	Capitán de Corbeta 	Mayor 
Major	Corvette Captain	Major
Capitán 	Teniente Primer 	Capitán 
Captain	First Lieutenant	Captain
Teniente 	Teniente Segundo 	Teniente 
Lieutenant	Second Lieutenant	Lieutenant
Alférez (or Subteniente) 	Alférez de Fragata 	Alférez 
Ensign (or Sublieutenant)	Frigate Ensign	Ensign

Insignia of Officers' Ranks

ARMY	NAVY	AIR FORCE
Subofficer 1st Class (Ordnance) 	Sea Officer 1st Class (Yeoman) 	Subofficer 1st Class 
Subofficer 2d Class (Medical) 	Sea Officer 2d Class (Machinist) 	Subofficer 2d Class 
Subofficer 3d Class (Signal) 	Sea Officer 3d Class (Signaller) 	Subofficer 3d Class 
Sergeant 1st Class (Infantry) 		Sergeant 1st Class 
Sergeant 2d Class (Infantry) 	Corporal 1st Class (Torpedaman) 	Sergeant 2d Class 
Corporal (Infantry) 	Corporal 2d Class (Torpedaman) 	Corporal 
		Airman 

Insignia of Enlisted Ranks

ARMY	NAVY	AIR FORCE
		
Technician 1st Class	Master Technician 1st Class (Signalman)	Technician Supervisor
		
Technician 2d Class	Master Technician 2d Class (Signalman)	Technician Inspector
		
Technician 3d Class	Master 1st Class (Machinist)	Technician 1st Class
		
Technician 4th Class	Master 2d Class (Machinist)	Technician 2d Class
		
Technician 5th Class		Technician 3d Class

Insignia of Technician Ranks

IN-COUNTRY • SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 5
PUBLIC HEALTH
AND WELFARE

Resource Category	Estimate of Availability Status
GENERAL	The general health of the vast majority of Peruvians is one of the worst in Latin America.
SOCIAL WELFARE	Child dependency ratio is extremely high.
SOCIAL SECURITY	Administered by the Peruvian Social Security Institute - provides benefits in the form of health care, pensions, maternity leave benefits, milk allowance, and burial subsidies
HOSPITALS AND CLINICS	Over 50 percent of the country's hospitals, clinics, and health care professionals are located in Lima leaving the rural population with sparse medical coverage.
NUTRITION	More than half the population exists under marginal nutritional conditions.
HEALTH INDICATORS	Mortality rate is third highest in Latin America and life expectancy is second lowest in the region after Bolivia. Leading cause of death is infectious diseases.
POVERTY	A major social problem related to unemployment and underemployment and several economic factors.
HOUSING	A major problem characterized by the growth of shantytowns in Lima and other major cities.

CHAPTER 5

PUBLIC HEALTH AND WELFARE

A. GENERAL

As might be expected, the general health of the vast majority of Peruvians is one of the worst in Latin America. The nation's mortality rate is the third highest in the region and life expectancy is the second lowest in the region after Bolivia. However, these national averages hide critical situations in many rural areas and urban shantytowns. Endemic malnutrition combined with a shortage of potable water and sewage connections, even in Lima, a city of over five million people, mean that the leading causes of death are infectious illnesses, preventable and normally non-fatal in other populations.

The huge unsatisfied demand for health care services in Peru's rapidly growing and increasingly urban population has created political pressure for higher public health spending. Investments being planned by the government elected in 1980 will likely be implemented and expanded after the 1985 presidential and congressional elections. As a result, heavy medical equipment purchases to modernize and expand Peru's extensive public health facilities are likely despite an uncertain economy, the classic Latin American external debt service problem, and a chronic shortage of treasury resources.

At the present time, the Peruvian health care services market is dominated by the Ministry of Health (MOH) and the Peruvian Social Security Institute (IPSS) which provides free comprehensive care financed by mandatory payroll deductions and employer contributions. Public health facilities which also include hospitals and clinics operated by the armed forces and police and numerous state owned companies are responsible for providing basic health care to 80 percent of Peru's 19 million citizens.

However, obsolete and inadequate equipment, overstaffing, excessive "red tape" and a concentration of health resources in the capital of Lima mean that the service provided is poor. In 1982, 25 percent of those 10.8 million Peruvians theoretically served by its hospitals, clinics and health posts had never received professional medical attention. Another 25 percent were receiving "inadequate" and "sporadic" attention.

The poor quality of public health care has permitted the private clinics and hospitals to expand, but for the majority of Peruvians, lack of adequate medical care is far from reality.

B. SOCIAL WELFARE

The concept of social welfare is essentially unknown in Peru. With the exception of the social security system available only to those employed, social welfare exists only in the form of generally inadequate medical services. One of the most pressing social welfare concerns is the child dependency ratio which remains high, placing enormous pressures on the health sector.

C. SOCIAL SECURITY

Social security in Peru is managed through the Peruvian Social Security Institute (IPSS) and is heavily dependent on the Ministry of Health for financial support of its medical program.

The IPSS was created in the 1970s by the fusion of two systems for white and blue collar workers. The IPSS in theory provides comprehensive free health care to all salaried workers, their wives and children under one year of age. This care is financed by a payroll tax, 7.5 percent employer and 2.6 percent worker, applicable to salaries up to S/.973,000 a month or approximately U.S. \$278. The IPSS also pays pensions to approximately 250,000 retired workers and provides health benefits ranging between S/.633,600 (U.S. \$181) per month, based on years worked and salary scales during the last years of the pensioner's worklife. Cash payments are also made to active contributors and include sick leave benefits, maternity leave benefits, milk allowance and burial subsidy. However, cash payments are low. The milk allowance for lactating mothers worked out to approximately U.S. \$5 a month in mid-1984, and amounted to 10.8 percent of IPSS current expenditures including pensions in 1983. Pension payments accounted for 36.8 percent of total current expenditures in 1979, falling to 30.3 percent in 1983 while averaging 31.5 percent during the entire five-year period.

The IPSS health delivery system is organized into seven geographical regions covering the entire country, but only about half of IPSS contributors have access to nearby institute facilities. The IPSS claims to provide care to 2.2 million active workers, or 37 percent of the total labor force of 250,000 pensioners and 800,000 dependents. Since 1979, an attempt has been made to expand care available to spouses, initially limited to pregnancy, delivery, and postpartum care. Those eligible now include the worker's mother.

Due to the shortage of facilities, the IPSS buys services from the MOH, the armed forces in the provinces, and the private sector. However, most of the contracts with private clinics (around fifteen in 1982) have been allowed to expire due to delays in receiving payment from the IPSS and the parallel expansion of the institute's polyclinic system. Because MOH rates are so far below the actual delivery cost of the care it provi-

des, the ministry subsidizes the IPSS.

IPSS spending increased in real terms by 31.1 percent from 1979 to 1980, and further 19 percent between 1980 and 1981. Table I shows the IPSS capital and current budgets in 1979 soles from 1979 through 1983, illustrating that the real increase in IPSS spending was initially due to increased capital expenditures. However, between 1980 and 1981, the spending increase was mainly in the current budget led by a nominal 124 percent rise in the purchase of goods and 110 percent in salaries. Services and pensions expenditures went up by 106 percent and 98 percent, respectively.

TABLE I

IPSS Expenditures 1979-1983
Billions of Constant 1979 Soles

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Current	36.2	41.5	49.8	52.5	42.3
Salaries	16.2	19.0	22.8	22.6	19.8
Capital	3.8	11.2	12.9	7.8	4.3

Receipts from the employer and employee social security contributions have dropped in the past decade as a percentage of total income. The income shortfall has been covered with domestic and foreign borrowing and use of the IPSS's pension fund. According to the IPSS Budget and Planning Office, the percentage of total income provided by contributions dropped from 89 percent in 1975-1976 to 69.6 percent in 1979. The situation improved between 1980-1982 but during 1983 the IPSS was forced to borrow S/.10 billion (U.S. \$4 million) from the government's bank, the Banco de la Nacion, and the books were balanced by S/.71 billion (U.S. \$28 million) in "Social Security Bonds" issued by the public treasury to pay part of the central government's pending debt with IPSS. The large deficit recorded in 1983 was the result of a 22 percent real terms drop in income due to the slow down in economic activity and an increase in overdue payments in both the private sector and the public treasury. In 1983, the IPSS almost halved its capital spending and reduced its current spending by 19 percent, keeping nominal expenditure increases to 83.1 percent in the case of goods (a large portion of medicines), 42.8 percent in services, 84.9 percent salaries. However, this austerity has resulted in the reduced availability of medicines in IPSS pharmacies and a shortage of supplies, especially in regional facilities. IPSS financial problems were further complicated in June of 1984 when IPSS workers won a hefty wage increase.

In 1982 the IPSS operated 18 hospitals and clinics providing a total of 4,554 beds, 77 health centers and two sanitary posts.

The IPSS has also developed plans to install a system of 10-20 bed polyclinics in the Lima metropolitan area (approximately 13) to improve ambulatory care and relieve congestion in its two main Lima hospitals. However, inflation, budget restrictions and equipment purchases have halted this program.

As a result of poor management practices in the IPSS, a group of consultants associated with the World Bank have been working with top IPSS officials since early 1984 to improve financial and cost controls. A major aim of the consultants is to cut the erosion of social security taxes, especially in the large informal sector, and at the same time improve enforcement in order to reduce the back taxes owed by many employers.

D. HOSPITALS AND CLINICS

1. GENERAL

The main public health delivery institutions in Peru are the Ministry of Health, the Social Security Institute, the health divisions of the three armed forces branches and the police forces (Ministry of Interior), and the medical departments of state-owned corporations and other public institutions and agencies. Private sector delivery agencies include private profit-making hospitals and clinics, agro-industrial cooperative clinics and health posts, and non-profit organizations which run clinics, medical centers and posts.

According to the MOH, in 1982, the IPSS covered 11.2 percent of the population, the armed forces and police health divisions 7 percent, private sector institutions 21.3 percent, and the MOH and other public institutions a nominal 60.5 percent. However, 25 percent of all Peruvians have never received professional medical care, while a further 50 percent receive care on a sporadic basis.

The activities of the public and private health agencies were integrated into a National Health Services System established by law in 1978. Managed by a National Health Council headed by the Minister of Health with representatives from all the public and private delivery agencies and groups, the Health Services system was designed to avoid the duplication of functions and improve planning and resource utilization. Unfortunately, the system is still not functional and institutions in both the public and private sector maintain complete executive and administrative autonomy.

2. MINISTRY OF HEALTH

Peru is divided into sixteen Health Regions, each sub-divided into "Hospital Areas" with at least one general hospital responsible for tertiary and secondary hospital care, as well as health

centers and posts which provide primary and emergency care.

In Lima, the Ministry of Health headquarters is run by the Minister of Health and his Vice-Minister. There are advisory "direcciones" or directorates (planning, legal, organization and methods, international relations), seven support directorates (administration, statistics, infrastructure, public relations, personnel, School of Public Health); two normative directorates (persons and environment), a General Health services directorate. Regional directorates exist in each of the sixteen Health Regions.

The activities within each region are managed by the Regional Health Directorates and Regional Health Councils. In addition to ongoing health care delivery, national programs have existed since the 1960s to combat tuberculosis, malaria, provide basic maternal and child care, and immunize the infant and pre-school population against common childhood diseases.

3. SOCIAL SECURITY INSTITUTE (IPSS)

The Peruvian Social Security Institute was created in the 1970s as an autonomous public institution to provide health care and benefits to employees and their dependents while IPSS facilities contain 15.5 percent of the country's hospital beds. The system is characterized by obsolete and inadequate equipment, overstaffing, excessive red tape and a concentration of resources in Lima which means that service is poor. In addition, only half of the 3.2 million eligible to receive care through the social security system had access to nearby IPSS facilities. Insurance brokers estimate that 60 percent to 70 percent of IPSS clients have sought private care financed through a variety of company plans. It is extremely important to understand that almost all private health insurance beneficiaries are also IPSS clients. On the other hand, many IPSS clients purchase health care from private clinics which are reimbursed by the IPSS. However, this option has been curtailed due to budgetary problems.

4. ARMED FORCES AND POLICE

Members of the armed forces and police receive medical care through a series of hospitals and clinics designated specifically for this use. The armed forces and police operate 141 health care centers and sanitary posts and provide medical coverage to 7 percent of the population.

A 1,100 bed Air Force Hospital was planned for 1985 but will not be built in the near future as the military elected to purchase airplanes and missiles instead of medical facilities.

5. PRIVATE SECTOR

The private sector institutions provide medical care to 21.3 percent of the population. According to the Association of Private Clinics, the poor quality of public health care has permitted the private clinics to increase their market share from 16 percent to 20 percent since 1970. The movement to private health care facilities is continuing, and low personal income and labor costs have kept the price of private health low by U.S. standards.

The purchase of private health care has increased in Peru in the past few years. Fifteen of Peru's twenty-two insurance companies maintain active health care portfolios. Also, many larger companies are moving to self-financed plans to reduce the cost of providing health benefits to their employees. However, most policies have a low benefits ceiling and generally do not cover dental, eye, psychiatric, home nursing, or preventative care. Catastrophic and accident coverage is almost non-existent.

Health maintenance organizations which provide pre-paid health care have also emerged, but are limited in number. Generally, it is anticipated that the private sector will continue to expand as long as the quality of care in the public sector remains poor.

6. FISCAL MANAGEMENT

The Ministry of Health's operating budget is almost entirely financed by the public treasury with only 2-5 percent coming from its own income sources, mostly from the sale of its services. Expenditures for health increased in 1981 and 1982 but dropped in 1983 due to economic problems, particularly inflation. In 1982 and 1983 the percentage of the central government's budget spent on health increased to 5.5 percent. The projected Ministry of Health budget for 1984 which includes funds for MOH, armed forces and police, IPSS, and private sector reimbursement totaled 1,584.3 billion soles or U.S. \$4.9 billion dollars. Inflation and devaluation of the sole had continued to limit expenditures for public health services with resulting poor quality of care throughout the population. Higher MOH expenditures in 1984 reflect a recent increase in wages paid to MOH professionals.

7. HOSPITAL BEDS AND FACILITIES

The public sector which include the MOH, armed forces and Police, and IPSS accounts for 48.1 percent of total hospital and clinic facilities and 80 percent of Peru's hospital beds. MOH facilities (118) contain 55 percent of the country's hospital beds followed by the IPSS with 15.5 percent. Private for profit facilities account for 45 percent of total hospitals and clinics,

but only 12.9 percent of the country's hospital beds. According to the MOH in 1982, there were 27,890 beds in the public sector, 84 percent of which were in use; and 6,311 beds in the private sector, 92 percent of which were in use. However, it is significant to note that 54 percent of total hospital beds are located in Lima, severely limiting health care in rural areas. In 1982, there were 1.61 hospital beds per 1,000 inhabitants. Due to financial problems in the public sector expansion of the bed/inhabitant ratio has deteriorated in the past five years.

8. HEALTH MANPOWER

In mid-1984 there were approximately 17,000 physicians in Peru according to the physician's professional association, the Federacion Medica. According to MOH statistics there were 13,542 medical doctors in Peru in 1981. Seventy-two percent worked in public sector hospitals and clinics (MOH 27.60 percent, IPSS 22.1 percent, armed forces and police 13.7 percent, others 6.6 percent), and 15 percent in private sector facilities. Incredibly, 10 percent were unemployed, mostly young doctors who have not been able to find positions in the public sector due to hiring limitations and who lack sufficient capital to set up a private practice. Approximately 65 percent of the physicians, 55 percent of the nurses, and 50 percent of the dentists are practicing in the Lima area.

In 1981 there were 7.4 physicians per 10,000 inhabitants. However, the ratio in Lima was 15.4/10,000 compared to 1.0/10,000 in Peru's rural zones. The obvious imbalance between the number of professional and auxiliary personnel, especially nursing assistants, is slowly being corrected. Table II illustrates the numbers of professional and technical health manpower resources in 1981.

TABLE II
HUMAN RESOURCES IN HEALTH - 1981

<u>Professional</u>	<u>1981</u>	<u>No./10,000 Inhabitants</u>	<u>Lima</u>
Physicians	13,542	7.40	15.4
Odontologist	3,803	2.08	4.9
Pharmaceutical Chemists	3,574	1.96	N/A
Obstertricians	2,187	1.20	N/A
Nurses	10,877	5.95	10.4
Psychologists	6,200	3.39	N/A
Nutritionists	313	0.17	N/A
<u>Technical</u>			
Laboratory	952		
Radiology	343		
Physical Therapy	461		

Occupational	
Therapy	54
Lab Assistants	134
Nursing Assistants	11,655

TABLE III

PHYSICIAN SUPPLY AND DEMAND BY SPECIALTY - 1985

<u>Specialty</u>	<u>Supply</u>	<u>Demand</u>	<u>Surplus/ Shortage</u>
Internist	328	96	+ 232
Oncological Surgeon	209	100	+ 109
Gastroenterologist	173	120	+ 58
Cardiologist	281	224	+ 57
Opthamologist	300	245	+ 55
Endocrinologist	83	69	+ 14
Oncologist	34	32	+ 2
General Surgeon	844	1,918	- 1,074
Pediatrician	1,251	1,836	- 585
Anesthesiologist	162	551	- 389
Radiologist	168	449	- 281
Laboratory	254	510	- 256
Epidemiologist	21	144	- 123
Rehabilitation	115	234	- 119
Pathologist	115	224	- 109
Psychiatrist	242	347	- 105
Traumologist	274	367	- 93
Ear/Nose/Mouth	185	255	- 70
Neuro-Surgeon	53	110	- 57
Gynecologist/ Obstertrician	1,238	1,265	- 27
Adminstrator	942	967	- 25
Dermatologist	83	102	- 19
Urologist	144	159	- 15
Radio-Therapist	6	18	- 12
Nephrologist	31	41	- 10
Neurologist	106	112	- 6
Others	250	360	- 110
Teachers	0	650	- 650
TOTAL	7,892	11,505	- 3,613

Salaries for physicians are more than adequate by Peruvian standards. However, wages for nurses remain low. In 1984 the average hourly wage for nurses in the private sector was U.S. \$0.62 compared to an overall U.S. \$0.67 average hourly wage in the industrial sector. Table IV illustrates the average hourly wage for nurses as of April 1981.

TABLE IV
AVERAGE HOURLY WAGE FOR NURSES

Starting	S/.1,490 (U.S. \$0.50 April 1984)
General Nurse	S/.1,860 (U.S. \$0.62 April 1984)
Surgical Nurse	S/.2,850 (U.S. \$0.95 April 1984)
Head Nurse	S/.3,555 (U.S. \$1.18 April 1984)

Physicians, nurses and other health professionals are organized into professional associations. The 6,800 MOH and IPSS physicians, 4,600 nurses and other professional and non-professional workers are unionized and periodically strike for wage increases. Private sector nurses and health professionals generally do not strike.

9. MEDICAL EQUIPMENT

In general, medical equipment in Peru is limited and deficient. The great majority of medical equipment dealers in Peru are small and even the large dealers maintain low stocks of replacement parts to keep down fixed costs. However, the frequent necessity to special-order parts causes lengthy delays in maintenance and repair. There are no strong maintenance and repair companies mainly because there exists a limited number of apparatus and machines of many different lines which make specialization difficult if not impossible. In addition, most hospitals do not sign service contracts preferring to risk the more costly repair bills when their equipment malfunctions.

Therefore, most medical equipment is imported from the U.S. as it is a generalized practice of physicians to travel to the U.S. to purchase new or reconditioned equipment which is brought into Peru as accompanied "professional tools" requiring no duty or customs paperwork.

A Ministry of Health ad hoc group is finishing a study on U.S. 100-150 million dollar general equipment and replacement plan for its 118 hospitals. The MOH is looking for ten-year financing in early 1985, but it is doubtful this plan will materialize. Meanwhile, the MOH has budgeted U.S. \$6.5 million in 1984 while the IPSS has budgeted U.S. \$7 million for equipment purchases in 1984 but a large percentage of this money is already committed under existing credit agreements. Subsequently, the poor state of equipment disrepair is not likely to improve in the near future.

10. PHARMACEUTICALS

In an attempt to control the cost of medicines which have

become increasingly unaffordable to a vast sector of the population, the government began a price control scheme in mid-1984, covering about fifty basic pharmaceutical substances used in the manufacture of around 250 products. However, the free market economic policy of the government continues to take precedence over the control of pharmaceuticals. Generally, the laboratories have a monopoly and set prices. Heavy foreign control allows parent companies to sell drugs to their subsidiaries at import prices inflated out of proportion to the world market. Peru then, like much of the third world, is an open market place where transnational pharmaceutical firms can ply their trade without the kinds of constraints found in developed countries. The exceptionally high TB rate in Peru is a direct result of people not being able to afford the needed medication.

Currently, there are over 5,500 kinds of medicines sold in Peru compared to the 150 essential medicines that the World Health Organization believes are sufficient to treat disease. One can walk into almost any pharmacy in Peru and without a prescription buy a drug like enterovioform which was pulled off the U.S. market as a possible cause of blindness, paralysis and death. Overprescription or overdosage of drugs in this kind of environment is common.

E. HEALTH INDICATORS

1. DEMOGRAPHICS

The population of Peru was approximately 19 million in 1984 with an annual growth rate of 2.8 percent annually reaching 4 percent in some rural areas. Forty-two percent of the population is 14 years of age and younger. Given the absence of any meaningful birth control programs, this suggests a continued high rate of population growth which is curbed only by a high mortality rate. Urban areas contained 66 percent of the population as compared to 34 percent in rural areas. In 1981 the birth rate was 38.01 per 1,000, and the death rate was 11.71 per 1,000 which is the third highest death rate in Latin America. The average life expectancy in 1981 was 56.9 which is the lowest in Latin America next to Bolivia. However, in rural areas such as the Department of Huancavelica the life expectancy is only 43.9 years. Over the past three decades, Peru has evolved from a rural agrarian society to an urban society as 60 percent of the population lives in cities of over 10,000; one-third of Peru's population lives in Lima. This phenomena continues to contribute to the development of serious public health problems.

2. MORTALITY

General mortality has declined between the 1960s and the 1970s from around 18 to 11 per 1,000 inhabitants. Still, this rate is

high in comparison to other South American countries (7.1 for Colombia and 6.0 for Venezuela). Infant mortality is widely believed to be unreported particularly in rural areas; however, the rates are very high by modern standards. The MDH reports that the infant mortality rate has declined from 160 per 1,000 live births in the early 1960s to approximately 100 per 1,000 in recent years and is one of the highest in Latin America. Infant mortality represents 26 percent of all deaths in the country and over 60 percent of childhood mortality. The fact that 50 percent of all deaths in Peru are related to upper respiratory and infectious diseases indicates that the population is undernourished and unable to resist illnesses which are usually non-fatal to a well-nourished population.

3. MORBIDITY

The composition of morbidity has changed. During the 1960s, approximately 15 percent of morbidity was represented by diseases subject to prevention by vaccinations and 28 percent by diseases associated with poor environmental conditions. In the 1970s the first type has declined to around 11 percent and the latter has increased to over 36 percent. In the 1980s communicable diseases represent the most serious threat to the general health of the population. Illnesses associated with gastro-intestinal and respiratory diseases represent the principal cause of contacts with the health system (35.6 percent) whereas preventative health activities are minor (6.9 percent). Gastro-intestinal problems of all origins constitute the largest source of reported morbidity. In 1981 the principal causes of death in Peru were dysentery (up 108 percent from 1979), followed by Anguilostoma—typhoid and para-typhoid (up 95 percent), tuberculosis (up 45 percent), and infectious hepatitis (up 29 percent). Peru has a serious tuberculosis problem which was epidemic in 1978.

Inadequate nutrition, non-potable water, inadequate waste disposal, and physical crowding would appear to be causing increased transmission of diseases. The apparent decline in the morbidity from diseases subject to prevention by vaccination should not be viewed optimistically as the rates are still very high by international standards. The percentage of children completing a normal course of vaccinations has been less than 20 percent in the last several years. Without a doubt, the majority of morbidity cases in the last two decades could have been prevented with a strong vaccination program.

4. ENVIRONMENTAL HEALTH

The absence of clean water for drinking and cleansing, and the lack of safe disposal of human and other wastes has resulted in a sharp increase in communicable diseases. Over half of the population does not have access to safe water and in some departments fewer than 10 percent of the households are connected to a

potable water system. In rural areas most existing systems are considered unsafe. The disposal of human wastes is also of great concern as only 28.8 percent of the country's households have a connection to a sewage system. The development of squatter settlements or young towns primarily around Lima and other cities has created environmental health problems of great magnitude primarily in the areas of waste disposal and the development of communicable diseases.

F. HEALTH HAZARDS

A balanced diet is the key to good health maintenance in Peru. Supplements of vitamins and minerals will be especially helpful during the damp, sunless winter. Extreme care should be given to the consumption of water especially for children. Some water in Lima is safe, but if there is any doubt, the water should be boiled or treated chemically. All water outside Lima should be considered unsafe and treated accordingly. To prevent intestinal parasites and/or bacterial diarrhea, fresh fruits and vegetables should be peeled or cooked before eating. Vegetables and fruits such as lettuce, watercress or strawberries should be disinfected in iodine or "yodo" which can be found in local pharmacies.

All Americans and dependents should be immunized against typhoid, tetanus, diphtheria, poliomyelitis and hepatitis. Anyone traveling to the Peruvian jungle must take anti-malarial pills beginning one week before travel and up to four weeks after return from the area. Yellow fever vaccination must be up to date (a Peruvian requirement).

People with allergies will have particular problems. Should a person develop an upper respiratory infection great care should be taken. If the infection persists a doctor's care should be sought without delay. Remember that 50 percent of the deaths in Peru are the result of respiratory and other infectious diseases.

When traveling to high altitudes such as the cities of Arequipa and Cusco great care should be taken not to develop "soroche" or altitude sickness. Dehydration and alcohol should be avoided and individuals with a history of heart or lung problems should be especially careful. If symptoms should persist descend to a lower altitude.

Medical care in rural areas is virtually non-existent. There are however, a number of private clinics in Lima with English speaking physicians. Consult the American Embassy for additional health guidance and a list of doctors and hospitals. Prevention is the most important aspect of maintaining adequate health while in Peru.

G. HEALTH PROGRAMS AND RESEARCH

The Ministry of Health's primary attention project is due to begin in 1984, a year behind schedule. This five-year, U.S. \$90 million program is being financed in part by the World Bank. The project is developing a series of regional programs to improve sanitary conditions in rural areas and urban shantytowns, as well as the quality and coverage of basic health care through an expansion and improvement of the MOH health post and health center system. An additional U.S. \$3 million has been budgeted for 1984 for capital equipment purchases mainly to outfit health posts in rural areas and urban shantytowns. Major project components of the primary attention project include the following:

1. HEALTH CARE SERVICE DELIVERY

Primary Health Care Modules (PHCM) have been established to provide home nursing and health post nurses to supervise home care, as well as provide family nursing and community health education; health center medical teams to provide ambulatory hospital and community health care each of which is designed to serve between 15,000 and 40,000 people. The PHCM's are to be set up throughout four target regions to deliver primary, family nursing, ambulatory, hospital and community care. Plans include construction, furnishing and equipping 60 new health centers, 118 health posts; furnishing and equipping 66 existing centers and 60 posts; 132 vehicles for service delivery; and equipment and supplies for malaria control.

2. HEALTH MANPOWER TRAINING

Development of curricula and training courses; development of training methodology and organization; retraining 180 health module (PHCM) directors, 180 community health nurses, 2,089 physicians, clinical nurses, technicians and other professionals, and 640 health post head nurses; training 4,500 field nursing auxiliaries and 20,000 community volunteers.

3. OTHER COMPONENTS

Other components include community health education and participation programs and family planning programs. The contract for this program is the Primary Attention Program, General Direction of Health Services MOH, Physical Infrastructure Office, MOH.

The National Statistics Institute which is a part of the Ministry of Health, is responsible for collection and reporting of data related to health matters. However, much of the data is unreliable due to problems with reporting, particularly in rural areas.

H. HEALTH EDUCATION

In 1981 there were a total of seven medical schools with 10,288 students enrolled which graduate around 600 physicians per year. Twenty-three nursing schools existed in 1981 with an enrollment of 5,785 graduating around 800 nurses per year. Two new training centers for nursing assistants have increased the number of auxiliary personnel in recent years. Efforts will be made through the Primary Health Attention Program scheduled to begin in 1985 to train both professional and para-professional health care workers, as well as volunteers.

I. NUTRITION

Peru continues to experience a nutrition problem of major proportions. Half of the population in both urban and rural settings suffer from chronic undernutrition as a consequence of inadequate diets. Evidence from the last three decades indicates that many persons in all regions of the country have adapted to these conditions through stunted skeletal growth. The diets of the poor are inadequate in calories and other nutrients and the level of food energy available for the country as a whole has averaged less than 90 percent of the level recommended for Peru (2400 calories per capita per day by the Food and Agriculture Organization of the U.N.).

Demographically, more than half the population exists under marginal nutritional conditions. There exists great regional variation in the extent of the problem, but no region or city is exempt. It is estimated that 25 percent to 40 percent of Lima households were not spending enough to purchase a nutritionally adequate diet in 1977-1978. The prevalence of malnutrition in other urban areas and in the rural areas is estimated to be twice that of Lima. While data on the nutritional status of Peruvian children is extremely limited, regional patterns of malnutrition indicate that Sierra and Selva pre-schoolers are more severely affected than coastal children, and the children in Lima are significantly better nourished than children in other coastal cities. It is estimated that 40 percent of rural children as compared to urban children are moderately or severely malnourished.

The causes of malnutrition in Peru are varied. Since the early 1960s the per capita production of food has been declining, which has increased the country's dependence on imported foods and contributed to the balance of payments difficulties of the 1970s. Government policies and natural disasters have contributed to slow the increase of agricultural production. Inflation and unemployment have caused many families to cut back on their purchase of food. Secondly, the relationship between health status and nutrition is well known. Diseases interfere in the utilization of nutrients and the malnourished individual is more

susceptible to disease. In Peru communicable diseases represent the most serious threat to the nutrition and general health of the population. Gastro-intestinal diseases in particular interfere with nutrition and are the primary causes of mortality and morbidity in infants and young children. Many of these communicable diseases are directly related to lack of safe water and poor sanitation practices. Therefore, what nutrition is available to Peruvians cannot be adequately utilized due to the evidence of disease and generally poor health of the population.

Another barrier to improved nutrition is the lack of a nutritional policy, as well as an institutional framework for addressing nutrition related policies and program issues. The current food policy favors a cheap food policy for urban consumers, primarily in Lima. If food subsidies could be targeted to the lower half of the income groups and applied to milk, cereals, sugars, oils and grain legumes, the general nutritional situation would improve. Most importantly, the provision of potable water could be the single most important contributor towards improving nutritional health.

In order to improve the problem of nutrition of Peru the Signia One Corporation conducted a study in 1983 for USAID, Lima, and proposed the following strategy:

1. Establish nutrition as central to development process.
 - a. Promote policy analysis.
 - b. Develop the information base.
2. Prevent diseases that cause or contribute to malnutrition.
 - a. Extend the coverage of potable water.
 - b. Immunize against childhood diseases.
 - c. Promote environmental sanitation.
3. Increase food consumption.
 - a. Increase food consumption and production by rural households.
 - b. Increase food production in the Sierra.
 - c. Increase agricultural employment and agriculture incomes.
 - d. Improve the food marketing system.
 - e. Promote urban employment generation.
4. Use community and private resources.
 - a. Promote community and household self-help approaches.
 - b. Use the private sector.
5. Improve the operational efficiency of the public health system.

J. POVERTY

Poverty in Peru continues to be a major social problem. Using a national household survey, a World Bank study estimates that 31 percent of the population—42 percent in the highlands region, 27 percent of the coast and 34 percent in the jungle departments—was living under conditions of "absolute poverty". Poverty was defined by the World Bank as receiving incomes which do not permit the consumption of minimally adequate volumes of food and non-food items. The study indicated the poverty situation was worse in 1981. Table V illustrates the drop in percentage of household income.

TABLE V

PERCENTAGE OF TOTAL HOUSEHOLD INCOME

	<u>1971-1972</u>	<u>1979</u>
Lowest 25% of Population	2.3	1.9
Lowest 50% of Population	9.9	8.3

The Ministry of Labor estimates that the number adequately employed in the Peruvian work force dropped from 49.4 percent in 1970 to 37.8 percent in mid-1983, reflecting the inadequate economic growth since the mid-1970s with the exception of 1980 and 1981. Underemployment has increased from 45.9 percent to 53.9 percent, while open unemployment went from 4.7 percent to 8.8 percent. However, the World Bank indicates the unemployment situation is worse than presented by the Ministry of Labor.

A decreasing wage share of national income, falling real wages, salaries and household income, as well as a more unequal distribution of income has aggravated the overall poverty situation in Peru.

TABLE VI

PERCENTAGE OF NATIONAL INCOME

	<u>1970</u>	<u>1979</u>
Wage labor	41.3	36.7
Self-employed	24.3	23.1
Capital	34.4	40.2

Poverty in Peru is widespread and characterized by inadequate food, inadequate housing, inability to purchase medical services

and lack of available employment. The causes of poverty are related to government policies and external events such as world market conditions and ecological accidents such as earthquakes, floods, droughts and erratic ocean currents.

K. HOUSING

The majority of housing in Peru is substandard and the government lacks an adequate housing policy. Between 1940 and 1972 the proportion of Peruvians living in cities of over 10,000 population rose from 35 percent to 60 percent of the total population. A country previously agrarian and rural now has a majority of its citizens living in cities, particularly Lima, where one-third of all Peruvians reside. The continued migration of people to large cities has created serious housing and public health problems.

Subsequently, squatter settlements or young towns have grown up around cities creating overcrowding and placing a high demand on the public health system. In Lima, poor migrants who had been paying high rent for substandard housing in slums near the center of Lima began moving en masse to unoccupied land near the city's outskirts. These land invasions were highly orchestrated affairs as they typically began at night or on a holiday and attempted to limit police interference. Settlers arrived with temporary building materials and organizers allocated lots to participants in advance of the invasion, and temporary huts or "houses" were assembled.

Lima is an ideal location for squatters' settlements. Winters are mild and there is virtually no rain. Settlers can survive with minimal shelter and the surrounding desert offers ample room for expansion.

These young towns filled a critical need for low-income housing that the government was unable to provide. Homes and neighborhoods were improved as resources permitted and straw huts gradually gave way to brick homes. However, communicable diseases flourished due to overcrowding, lack of potable water and poor sanitation practices. Essentially, little or no money is available in terms of "home loans" to finance home building.

L. PRINCIPAL TRADE AND PROFESSIONAL ASSOCIATIONS

COLEGIO MEDICO DEL PERU
Malecon Armendariz 791
Lima 18
Telephone: 477595

COLEGIO DE ENFERMEROS DEL PERU
Parque Santa Cruz 560
Jesus Maria, Lima
Telephone: 317570

CONSEJO NATIONAL DE SALUD
Ministry of Health
Avenida Salaverry - Jesus Maria, Lima
Telephone: 244433

ASOCIACION DE CLINICAS PRIVADAS
Clinica Anglo-Americana

COLEGIO ODONTOLOGICO DEL PERU
Los Proceres 261
Urb. Santa Constanza - Lima 33
Telephone: 356050

COLEGIO QUIMICO FARMACEUTICO
Jose Diaz 384 - Lima 1
Telephone: 231007

ASOCIACION DE MEDICOS VETERINARIOS DEL PERU
P. Irigoyen 208 - Lima 18
Telephone: 456429

ASOCIACION NACIONAL DE LABORATORIOS FARMACEUTICOS
Calle 41, N 975 - Lima 27
Telephone: 409790

ASOCIACION DE OPTICOS DEL PERU
Jiron Camana 616 - Lima 1

FEDERACION MEDICA PERUANA
284 Jiron Union - Lima 1
Telephone: 278878

FEDERACION NACIONAL DE FARMACEUTICOS
Jose Diaz 382 - Lima
Telephone: 244720

FUNDACION PERUANA DE CANCER
Avenida Tacna 734 - Lima
Telephone: 231165

SOCIEDAD PERUANA DE CARDIOLOGIA
109 Montegrande - Lima
Telephone: 365340

SOCIEDAD PERUANA DE PEDIATRIA
1807 Washington - Lima
Telephone: 236488

INTERNATIONAL COLLEGE OF SURGEONS - PERUVIAN CHAPTER
M. Ugarte y Moscoso 450 - Lima
Telephone: 616142

IN-COUNTRY • SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 6
PUBLIC EDUCATION

Resource Category	Estimate of Availability Status
GENERAL	<p>Formal education has improved dramatically since the 1930s in Peru. Enrollment is up and the budget has been increased from 2.9 percent of the GNP in 1900 to 32 percent in 1980. Major problems face the educational system even with the advances due to the remote regions and large Indian population.</p> <p>The education system comprises pre-school, primary, fundamental (literacy, community development, etc.) secondary, intermediate and industrial supervisory, and higher.</p> <p>The Constitution charges the State with administering all education, both public and private. Education is free and compulsory for all children 7-16 years of age.</p> <p>The administrative structure has been decentralized and regional directors now have more authority and responsibility for administering the schools. The Ministry of Education still has over-all supervision, technical direction, general administration and educational development for the country as a whole.</p> <p>Higher education in Peru is the same as in the U.S. with the exception of the "first cycle" which includes vocational training.</p>
EDUCATION STRUCTURE	
LEGAL BASIS OF THE EDUCATION SYSTEM	
EDUCATIONAL ADMINISTRATION	
HIGHER EDUCATION	

CHAPTER 6

EDUCATION

A. GENERAL

Formal education has expanded dramatically in Peru during the past 80 years. Enrollment has increased at a 5.4 percent annual rate; much faster than the population growth. Education's share of the national budget has also increased dramatically from 2.9 percent of the GNP in 1900 to over 20 percent in 1980. Even with these advances Peru faces substantial problems in funding an education system that meets the needs of the increasing population during a period of rapid inflation and extensive unemployment. The difficulties of adapting education to the needs of the country's substantial Indian population have also not been resolved along with the problems of staffing rural schools. There are some sweeping changes being made in rural education.

The law proposes a system of nuclei (nucleos) scattered throughout the countryside. The concept dates from a 1945 reform in the Lago Titicaca region. A single, fully staffed six-grade nuclear school serves the needs of the surrounding communities, where several three-grade schools are situated.

A director appointed by the Ministry of Education administers the system and is advised by a committee of representatives of teachers, parents, and local authorities. All educational facilities in the nuclear district—including private ones—are at the disposal of nuclear schools. The system had an immediate impact on rural schooling; by late 1973 over 250 nuclear schools were in operation.

The law provides for instruction in the vernacular, particularly in the early years of basic education. This is to limit the handicap monolingual Quechua and Aymara speakers face within the school system. It also represents an appreciation of Peru's cultural pluralism and ethnic diversity.

B. EDUCATIONAL STRUCTURE

The basic structure of the education system in Peru comprises pre-school education, primary education, fundamental education (literacy, community development, etc.), secondary education (basic cycle: general education, technical education, agriculture and animal husbandry, trades, commercial; vocational cycle: general education, science, letters, technical education, agriculture and animal husbandry, trades, commercial); intermediate and industrial supervisory personnel education

(post-secondary specialties, trade workshops); higher education.

The Ministry of Education is made up of general directorates, and these are divided in descending order into directorates, divisions, departments and sections. Peru is divided into eight educational regions, whose jurisdiction covers the entire territory of the Republic. Each regional directorate is a ministry in miniature in which are reproduced the principal administrative organs of the central ministry.

C. LEGAL BASIS OF THE EDUCATION SYSTEM

The Constitution of Peru stipulates that the Peruvian State is in charge of all education, both public and private, administering it and determining its aims and contents. Education is egalitarian and democratic, available to all without distinction under the law. It is free and compulsory at primary level and in addition is compulsory for all children from seven to sixteen years of age. Technical education is available through technical institutes and schools. The teaching profession is regarded as part of the Civil Service and as such is protected by all legislation respecting public employment. The State guarantees academic freedom in the universities.

The main legal text relating to education in the Basic Educational Law (No. 9359 of 1941) which covers educational administration, inspection, teaching staff, school property and teacher-training institutions. Chapter I of this law supplements the provisions of the Constitution regarding free and compulsory primary education, specifies the obligations of the government and the Ministry of Education in various respects and sets out the aims of general primary and secondary education.

The regulations governing primary education were promulgated in 1966 and cover the aims of primary education, the functioning of primary schools, their staff, the duties of the headmaster, etc. They also cover the work of the Inspectorate-General, end-of-the-year examinations and scholarships.

The regulations governing general secondary education were promulgated on 28 November 1950. They determine the categories of secondary institutions, the administrative system and other technical and pedagogical aspects, the grading and duties of teachers, the teaching, administrative and disciplinary functions of the secondary school governing boards, parents' associations, etc. The regulations governing technical secondary education approved on 26 April 1951, are roughly the same as those for general secondary education.

D. EDUCATIONAL ADMINISTRATION

1. ADMINISTRATIVE STRUCTURE

The decentralization of the administrative structure has one basic purpose, the delegation of authority and responsibility to the regional directorates of education which had previously been centralized in the Ministry of Education, the Minister being left with the functions of overall supervision, technical direction, general administration and educational development for the country as a whole.

Regional administration, however, has failed to adopt the new structure entirely. No solution has been found for the major problem of putting an end to over concentration, nor have authority and responsibility been wholly delegated to the regional directorates.

The Government, with the approval of the Council of Ministers, has now authorized re-organization of the system in the hope that it can be conducted more rationally and efficiently on the basis of objectivity, operational efficiency, simplicity, flexibility and the rational use of human and material resources.

By Legislative Decree No. 17522 of 21 March 1969, the Government approved the Organic Law on Education which defines the structure and function of the Ministry of Education.

The Ministry's function is to formulate and direct educational policy; to plan education in conformity with the Economic and Social Development Plan; to promote the technical improvement of the administrative and teaching staff and improve their organization; to direct, co-ordinate and control the technical and pedagogical aspects of private and State supervised education at all levels and the administrative aspects of State supervised education; to plan, implement and control special education, literacy, bilingual education, adult education; to exercise the powers and responsibilities of the State in regard to higher and university education as laid down in the Constitution and the laws in force.

The Office of the Minister consists of the Minister assisted by a senior director and a Secretary-General. The Office of the Minister also includes General Archives and the Office for Coordination with the Regional Directorates of Education.

The consultative services of the Ministry comprise the National Board of Education which represents both the public and the private sector and is responsible for examining educational policy and recommending basic measures for improving the functioning of education; the Senior Technical Education Board which acts as the Ministry's senior body for technical consultation;

and the National Teacher Assessment Board which assesses teaching staff in conformity with the relevant legislation. The assessment services include the Sectorial Educational Planning Office, National Supervision, the Legal Advisor's Office, the Research and Development Office, and the Public Relations Office. The Directing and Co-ordinating bodies are the basic services through which the Minister exercises his authority. These bodies include the Directorate-General of General Education which advises the Minister on educational policy for pre-primary, primary and general secondary education and physical training in State, private and State-supervised schools, etc. The General Education Directorate comprises the Directorate of Pre-primary and Primary Education, the Directorate of Basic Education, the Directorate of Physical Training and the Officer of Private and State-supervised Education and the Directorate-General of Technical Education. The Directorate-General of Higher Education is responsible for directing and co-ordinating the training and further education of teachers and exercising the responsibilities and powers of the State in regard to higher education. The Directorate-General of Culture is responsible for the cultural education of school children and the planning and dissemination of artistic, literary and musical activities.

2. FINANCE

The financing of education is based on the resources of the State and income from annuities, school fees, rent on buildings in town and country and at times loans. The education budget (up to 99.77 percent of the total) is financed by the Treasury. Cooperation on the part of the municipalities and public welfare service take the form of gifts of land and the granting of facilities for conducting school in premises owned by these bodies. A number of town councils cover the operating expenses of schools and colleges. The local communities have assisted by ceding land and providing labor and in some cases, material for the construction of schools.

In view of the law providing for free education, the parents' associations have cut down their economic aid but some associations continue to finance scholarships and buy furniture and equipment for schools attended by their children. The local communities have given appreciable assistance in completing premises built by them.

The Ministry of Finance, through the National Directorate of the Budget, determines the criteria to be observed in drawing up the functional budget for each economic and financial year and provides the necessary funds through the National Bank and the Public Treasury.

The educational budget represents 21.56 percent of the total functional budget of the Republic.

Investments of a permanent character (constructing and repairing school buildings) amounts to 1.19 percent and ordinary expenses to 93.7 percent of which 91 percent is for salaries.

3. BUILDINGS AND EQUIPMENT

a. SCHOOL BUILDINGS

Construction work is submitted to open tender or done directly through the technical and administrative committees. Estimates are made by the team of engineer inspectors of the Directorate of School Building and by the engineers heading the committees in the regional directorates.

The Directorate of School Building is independent, and keeps a current bank account for each of the construction programs in operation throughout the country.

Private schools meet capital investment and operational expenses from their own income and earnings.

b. EQUIPMENT

School supplies and equipment are selected, purchased and allocated by the Ministry's Directorate of Supplies. The Directorate of Supplies sends furniture and supplies to the schools and administrative dependencies of the Ministry through the regional directorates and provincial school inspectorates.

4. OPERATION OF THE EDUCATION SYSTEM

The principal duty of supervisors is to direct, advise, orient and improve educational activities and the cultural education and training of teachers. Educational supervision is organized at national, regional and provincial or sectoral levels. Supervision at the national level is the responsibility of the Directorate of General Supervision, which comes under the Office of the Minister; at regional level it is the responsibility of the regional directorates of education, and at provincial level it is limited to primary education and is the responsibility of the respective supervisors, who in turn are assisted by assistant and special supervisors.

5. ADMINISTRATIVE STANDARDS

The size of the staff in educational establishments depends on the size of the premises and the specific organizational needs at each level.

Schools are so organized that only secondary schools (general and technical), teacher-training colleges, and special primary and

experimental schools have an administrative staff. The average number of pupils per class or section is forty-five.

6. EXAMINING BODIES

By Legislative Decree No 17402 of 4 February 1969, all schools in the Republic, whether State or private schools (primary, secondary, general and technical), replaced the traditional examinations by a system of permanent evaluation.

7. TEACHING STAFF

Teaching is recognized as a public service, and conditions of employment for State teachers have improved with the application of Law 15215. This law regulates the work, privileges and responsibilities of teachers.

Teachers enter into their career on a permanent or temporary basis, depending on the type of degree they hold. The basic curriculum and the duration of study for training professional teachers are the same at each of the various levels of the educational system. Some variations exist in the actual courses between levels.

In the absence of holders of teaching certificates, or failing that, of academic degrees, persons who hold professional certificates or who may have completed higher teaching studies may be engaged on a temporary basis.

Teachers are entitled to enjoy stability of employment and to be promoted as laid down by the law. They, and their dependents, are entitled to the benefits of the State social security system. All teachers without a home of their own are entitled to a housing allowance calculated on their basic salary.

Teaching as a career has become more attractive as a result of economic improvement in recent years and is now among the higher paid professions.

The curricula for certification and further education in Peru were systematized in 1954. The courses are co-ordinated by the Directorate of Teacher Training through the National Institute of Teacher Certification and Further Training. During the school holidays (January and February), the universities and other higher educational centers organize short courses, seminars, symposia and round table meetings for teachers. Teachers are encouraged to attend the additional educational courses since study fellowships, certificates and degrees are registered and used for teacher evaluations.

The school year begins in April. The holiday period is January, February and March for pupils, and January and February

for teachers—March being reserved for organizing and planning the school year.

Regulations in force, which cannot be carried out due to the considerable demand for enrollment, provide for a pupil/teacher ratio varying from 30:1 at pre-primary and primary level to 45:1 at secondary general level. Classes are held five days a week at all levels, the number of hours per day ranging from five at pre-primary and primary levels to seven at general and technical secondary levels.

The directorates of the various educational levels determine the technical teaching standards for the school for which they are responsible but respect and welcome initiative on the part of teachers. Regional and national meetings of teachers are frequently convened, for example, with a view to adjusting the curriculum. Additionally, programs may be applied with flexibility and adapted to the particular conditions of the geographical region concerned. There are experimental schools at primary, secondary, technical and teacher-training levels.

Teachers at the various educational levels are given appropriate guidance and technical aid by their respective directorates of education. For example, staff codes are drawn up for school organization and staff rationalization; programs for the various subjects are issued for application of the curriculum, etc.

Special courses and educational discussion meetings are also organized for headmasters and teachers of schools, colleges and institutes on various themes related to the better application of the curricula and the most suitable methods of teaching.

8. EDUCATIONAL PLANNING

The national planning system was set up by Legislative Decree No. 14220 of October 1962 for the purpose of ensuring continuity in the establishment and implementation of co-ordinated development plans for improving material and cultural standards of living. Planning bodies exist at national, regional and local levels. Although educational planning is a single process, it functions at various levels, i.e., in respect to overall planning, or planning in conjunction with the country's educational development; sectorial planning, corresponding to the various aspects of the educational system (pre-primary, primary, technical and higher); regional planning, by geographic, political and educational divisions; and local planning, dealing with the details of the siting and functioning of the educational establishments.

In case of planning at local and regional levels, educational services are rendered through single institutions or groups of

institutions in well-defined combinations, situated in definite geographical, social and economic contexts, which are very far from being homogeneous and which offer a variety of educational situations and requirements.

Regional assessment and programming set out to take an inventory of the situation and determine the various educational requirements of each geographical, political, administrative or social-economic region.

9. QUALITY OF EDUCATION

A factor affecting the quality of education negatively is the absence of integration at the various educational levels and in the general structure of the system, which hardly reflects the requirements of economic life. As a result, without proper guidance and at a time when education is rapidly spreading to the masses, pupils must face a host of alternative possibilities throughout their years of study, and adapt themselves unceasingly to changes in the academic policy and organization of the various levels of education.

On the positive side, there is the development of education in recent times, which has been of major assistance in the attainment of an 85 percent linguistic integration.

The rapid increase in evening and night classes at primary, secondary and technical levels has greatly benefited the urban centers with their considerable intake of people from the rural areas.

The quality of education in Peru is being improved by the training and further training of teachers; by the analysis and study of teaching methods; and by better use of resources offered by modern technology.

10. CURRICULUM

The curriculum for pre-school education is designed to promote the integration of the children into the social group, guide the formation of their personality, stimulate the development of talent and skill, develop mental aptitudes, creative ability and self-expression, cultivate necessary attitudes and habits, and stimulate the children's sensory and motor development.

The new curriculum for primary education aims at improving and modifying the pattern of the pupils' attitudes and ideals and so developing their personality to the full. It is based on a selection of essentials in terms of activities, knowledge, skills and talents; grading and dosage of the content, bearing in mind the stages of the psycho-biological and social development of the child; selection of essentials in the light of the child's predo-

minating interests and the current cultural requirements of the individual and society.

The basic and general cycle of secondary general education teaches basic knowledge, and includes activities and guidance concerning these elements which help to meet the needs of the pupils as human beings and as members of a social community. The basic knowledge taught in this cycle covers languages (Spanish and foreign), history, geography and social science, mathematics, natural sciences, religion, air, pre-military training and domestic science.

The specialization cycle sets out to shape mental habits, provide moral training and guide pupils in accordance with their vocational inclinations and attitudes. This cycle comprises general and special subjects, the latter being in two groups: science and letters.

11. TEXTBOOKS

A standing committee at the Ministry of Education revises school textbooks, standardizes the preparation and publication requirements of the State schools, and establishes priorities for allocation.

Only in the case of the literacy campaign are these books prepared by officials at the Ministry of Education. Textbooks for general secondary and technical secondary education and teacher training are left to private initiative although they must be approved by the technical committees appointed by the directorate of the corresponding educational level.

12. RESEARCH

The Ministry of Education includes a research and development office which advises the Officer of the Ministry and studies the educational system, the curriculum, teaching methods and educational administration for the purpose of finding solutions to the problems which affect Peruvian education.

The office proposes to carry out research with a view to the improvement of education; to publicize and develop the ideas, criteria and doctrines of the national education system; to make known the findings and results of research through publications, as between the educational sectors and between official and private bodies.

The new Organic Law for Peruvian universities provides that the universities shall promote, encourage and carry out research as a basic function, with priority for problems of national interest; teaching and research shall be the responsibility of the academic departments, forming an indivisible whole in the

task of the universities; the professors shall divide their time between teaching and research; interdepartmental research shall be included in a program for which a research center is responsible; research on a regional or national scale shall be carried out in a research center of a university to be designated by the Regional University Board or the National University Board in cooperation with other universities, where appropriate.

E. HIGHER EDUCATION

Higher education is composed of three programs: the baccalaureate, the master's and the doctoral. The major change is in the first cycle, which is to include vocational oriented training in special professional high schools. Under the current Belaunde administration the universities are allowed a substantial amount of autonomy. The law also mandates a high percentage of students on most governing bodies. The law further attempts to institute services for those who have often been beyond the reach of conventional educational programs. There are provisions for adult education for literacy and job training.

Table 1 contains a listing of universities in Peru.

TABLE 1
UNIVERSITIES IN PERU

UNIVERSIDAD NACIONAL AGRARIA - Lima

Phone: 35-2035 and 35-2123

Founded 1902; formerly Escuela Nacional de Agricultura

Number of teachers: 388

Number of students: 3,510

UNIVERSIDAD NACIONAL AGRARIA DE LA DELVA

Apdo 156 Tingo Maria, Hunauco - Phone: 2341

Founded 1964; State Control

Number of teachers: 80

Number of students: 600

UNIVERSIDAD NACIONAL DE LA AMAZONIA PERUANA

Apdo 496, Iquitos - Phone: 23-5351

Founded 1962; State Control

Number of teachers: 195

Number of students: 4,500

UNIVERSIDAD NACIONAL DE ANCASH 'SANTIAGO ANTUNEZ DE MAYLOLO'

Apdo 70, Huaraz - Phone: 72-1452

Founded 1977

Number of teachers: 62

Number of students: 871

UNIVERSIDAD NACIONAL DEL CENTRO DEL PERU

Calle Real 160, Apdo 138, Huancayo - Phone: 23-3032

Founded 1962; State Control

Number of teachers: 346

Number of students: 8,124

UNIVERSIDAD NACIONAL 'DANIEL ALCIDES CARRION'

Calle Lima 323, Apartado 77, Cerro de Pasco

Phone: 120

Founded 1965

Number of teachers: 90

Number of students: 1,000

UNIVERSIDAD NACIONAL DE EDUCACION 'ENRIQUE GUZMAN Y VALLE'

La Cantuta s/n, Chosica, Lima 15

Phone: 91-0052

Founded 1967

State Control

Library of 16,500 vols

Number of teachers: 250

Number of students: 8,500

UNIVERSIDAD NACIONAL 'FEDERICO VILLARREAL'

Avda Nicolas Peirola 412, Apdo 1518, 6049, Lima

Phone: 28-7882/32-0806

Founded 1963

State Control

Number of teachers: 2,000

Number of students: 25,000

UNIVERSIDAD NACIONAL DE HUANUCO 'HERMILIO VALDIZAN'

Jr Dos de Mayo 680, Apdo 278, Huanuco

Phone: 2340,2341

Founded 1964

State Control

Library of 6,521 vols

Number of teachers: 184

Number of students: 4,786

UNIVERSIDAD NACIONAL DE INGENIERIA

(National University of Engineering)

Casilla 1301, Lima

Phone: 81-1035,81-1070

Founded 1896 as Escuela Nacional de Ingenieros del Peru, present name 1955

State Control

Number of teachers: 800

Number of students: 10,431

UNIVERSIDAD NACIONAL 'JOSE FAUSTINO SANCHEZ CARRION'

Avda Grau 592, Of. 301, Apdo 81, Huacho

Phone: 2437

Founded 1968

Library of 5,000 vols

Number of teachers: 97

Number of students: 2,675

UNIVERSIDAD NACIONAL MAYOR DE SAN MARCOS DE LIMA
Avda Republica de Chile 295, Casilla 454, Lima
Phone: 28-3727, 31-6558, 32-6700
Founded 1551
Number of teachers: 3,150
Number of students: 34,223

UNIVERSIDAD NACIONAL PEDRO RUIZ GALLO
8 de Octubre 637, Apdo 48, Lambayeque
Phone: 2080
Founded 1970
State Control
Number of teachers: 261
Number of students: 5,460

UNIVERSIDAD NACIONAL DE PIURA
Cuzco 323, Apdo 295, Piura
Phone: 32-3091
Founded 1962
State Control
Number of teachers: 244
Number of students: 5,414

UNIVERSIDAD NACIONAL PUCALLPA
Apdo postal 90, Pucallpa
Founded 1979
Number of teachers: 20
Number of students: 200

UNIVERSIDAD NACIONAL SAN AGUSTIN
Santa Catalina 117, Apdo 23, Arequipa
Phone: 22-7678
Founded 1828
State Control
Library of 127,000 vols
Number of teachers: 729
Number of students: 13,500

UNIVERSIDAD NACIONAL SAN ANTONIO ABAD'
Avda de la Cultura s/n, Apdo 367
Phone: 2440-41
Founded 1962, reorganized 1969
Number of teachers: 425
Number of students: 15,000

UNIVERSIDAD NACIONAL DE SAN CRISTOBAL DE HUAMANGA
Aprdo 220, Ayacucho
Phone: 2522
Founded 1677, reopened 1959
State Control
Number of teachers: 370
Number of students: 6,097

UNIVERSIDAD NACIONAL 'SAN LUIS GONZAGA'

Apdo 106, Bolivar 232, Ica

Phone: 2437 and 2868

Founded 1961

Number of teachers: 459

Number of students: 6,295

UNIVERSIDAD NACIONAL DE SAN MARTIN

Martinez de Compagnon 527, Apdo 239, Tarapoto

Founded 1979

Number of teachers: 41

Number of students: 410

UNIVERSIDAD NACIONAL TECNICA DEL ALTIPLANO

Calle Puno 415, Casilla 291, Puno

Phone: 324

Founded 1865, reopened 1961

State Control

Number of teachers: 250

Number of students: 6,500

UNIVERSIDAD NACIONAL TECNICA DE CAJAMARCA

Apdo 289, Cajamarca

Phone: 2559

Founded 1962

Number of teachers: 90

Number of students: 1,561

UNIVERSIDAD NACIONAL TECNICA DEL CALLAO

Apdo 138, callao

Phone: 296607-295921

Founded 1966

State Control

Number of teachers: 252

Number of students: 6,600

UNIVERSIDAD NACIONAL DE TRUJILLO

Diego de Almagro 396, Apdo 315, Trujillo

Phone: 24-3721, 23-2961

Founded 1824 by Simon Bolivar

State Control

Library of 23,806 vols, 36,001 periodicals and pamphlets

Number of teachers: 635

Number of students: 11,004

PONTEFICIA UNIVERSIDAD CATOLICA DEL PERU

Fundo Pando, Apdo postal 1761 y 5729, Lima 100

Phone: 62-25-40

Founded 1917

Private Control

Number of teachers: 723

Number of students: 8,179

UNIVERSIDAD CATOLICA DE SANTA MARIA
Avda Santa Catalina 410, Casilla 1350, Arequipa
Phone: 9474
Founded 1961
Number of teachers: 264
Number of students: 5,572

UNIVERSIDAD FEMENINA DEL SAGRADO CORAZON
Avda Los Frutales s/n, Monterrico, Apdo 3604, Lima
Phone: 36-4641
Founded 1962
Private Control
Library of 22,000 vols
Number of teachers: 126
Number of students: 1,372

UNIVERSIDAD DEL PACIFICO
Avda Salaverry 2020, Jesus Maria, Apdo 4683, Lima 11
Telephone 71-2277
Telex: 25650 PE CP SHERA
Founded 1962
Private Control
Number of teachers: 96
Number of students: 913 full-time, 611 part-time

UNIVERSIDAD 'INCO GARCILASO DE LA VEGA'
Avda Arequipa 1841 Lima
Phone: 71-1421
Founded 1964
Private Control
Number of teachers: 240
Number of students: 7,000

UNIVERSIDAD DE LIMA
Prolongacion Javier Prado s/n, Monterrico, Apdo 852, Lima
Phone: 3509677
Founded 1962
Private Control
Number of teachers: 550
Number of students: 8,500

UNIVERSIDAD PARTICULAR RICARDO PALMA
Avda Armendariz 349, Miraflores, Lima
Phone: 45-9035
Founded 1969
Private Control
Number of teachers: 228
Number of students: 6,996

UNIVERSIDAD PARTICULAR 'SAN MARTIN DE PORRES'

Jr Camana 168, Lima

Phone: 23-7821

Founded 1965

Number of teachers: 256

Number of students: 9,850

UNIVERSIDAD PERUANA 'CAYETANO HEREDIA'

Apdo 5045, Lima

Phone: 81-5772

Founded 1961

Private Control

Number of teachers: 450

Number of students: 1,200

COLLEGES:

ESCUELA DE ADMINISTRACION DE NEGOCIOS PARA GRADUADOS

(Graduate School of Business)

Apdo 1846, Lima 100

Phone: 35-1760

Founded 1963, as a joint venture between the Peruvian Government and the U.S. Department of State Agency for International Development; training in management at graduate level and for executives

Library of 30,000 vols

Number of teachers: 67

Number of students: 3,500

SCHOOL OF ART AND MUSIC:

CONSERVATORIO NACIONAL DE MUSICA

(National Academy of Music)

Emancipacion 180 as Academia Nacional de Musica Alcedo, present name

1946, autonomous since 1966

Specialized Library: 8,000 vols, and record library

ESCUELA NACIONAL SUPERIOR DE BELLAS ARTES

(National School of Fine Arts)

Ancash 681, Lima

Founded 1918

Library of over 4,500 vols on art

ESCUELA REGIONAL DE BELLAS ARTES

Puente Bolognesi 104, Arequipa

ESCUELA REGIONAL DE BELLAS ARTES 'DIEGO QUISPE TITO'

Cuzco

IN-COUNTRY . SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 7
Labor

Resource Category	Estimate of Availability Status
Introduction	Due to El Nino and other internal problems, Peru suffered a economically difficult period over the past two years. Due to this difficult period, the current government lost many seats during the 1983 elections and is expected to lose the 1985 presidential election.
Labor Ministry Organization	Two Vice Ministers, one for labor and one for social promotion. Supervises labor, occupation health and safety, employment, vocational training, welfare and social security.
Employment	A large percentage of the population is unemployed or underemployed.
Remuneration	Wages and salaries have experienced a long term decline in real terms—per capita income in 1983 was estimated at U.S. \$868.
Government Wage Policy	The government sets wages for the public sector and determines minimum wages for unionized and non-union workers.

361 CA BDE
TAB 7

IN-COUNTRY • SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 7 (Cont'd)
Labor

Resource Category	Estimate of Availability Status
Working Conditions	The normal work period is limited to eight hours a day with a maximum of 48 hours per week. Employees entitled to one month's vacation upon completion of each year's service.
Government Industrial Relations Policy and Labor Legislation	The resignation of Minister Grados in 1983 ended the government policy social harmonization or consensus through Tripartite dialogue between labor, employers, and government.
Strikes	Strikes decreased in 1983 compared to 1982; number of workers affected however increased.
Trade Unions	Trade union membership and dues are unreliable. Data is unavailable or out of date.

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TAB 7A

CHAPTER 7

LABOR

A. INTRODUCTION

Nineteen eighty-three proved to be the most economically difficult year experienced by Peru in recent history. Afflicted by natural disasters largely due to a temporary change in Pacific Ocean currents (the El Nino phenomenon), continued low prices for commodity exports, and still hobbled by statist policies left over from the military regime (1968-1980), Peru's economy suffered a decline of 11.8 percent in gross domestic product while experiencing a highly distressing 125 percent inflation. The economic crisis hit fishing (down 40 percent from the previous year), construction (down 21.3 percent) and manufacturing (down 17.2 percent) particularly hard, but no sector of the economy seemed immune. By the end of the year, the Ministry of Labor estimated that only 37 percent of the economically active population was adequately employed. Most fortunate enough to have jobs found the real purchasing power of their take-home pay significantly less at the end of the year than at the beginning, despite government-mandated raises in both the private and public sector.

The economic crisis struck the government in an intensely political year. In November, citizens went to the polls for the first time since the presidential election of 1980 which had ended twelve years of military rule, reinstated democracy, and brought to power constitutionally elected incumbent President Fernando Belaunde. In the November 1983 balloting, which chose officials at the municipal level, the majority of voters rejected candidates from the President's Action Popular Party (AP), undoubtedly in part because of the Government of Peru's difficulties in alleviating the economic situation. Politics inevitably affected the labor scene. Although strike activity decreased overall from last year, the major Communist-controlled central union sponsored two general strikes, both of which fell short of their objectives. The November election was preceeded by a recently unprecedented display of restiveness by public employees who took various actions ranging from sitdown strikes to actual walk-outs. Significantly, Belaunde's ex-Minister of Labor, Alfonso Grados Bertorini, was one of the November election victims, Grados, who had resigned from the Ministry in June in opposition to the government's austerity policy was defeated in the Lima mayoral race in which he had agreed (notwithstanding his

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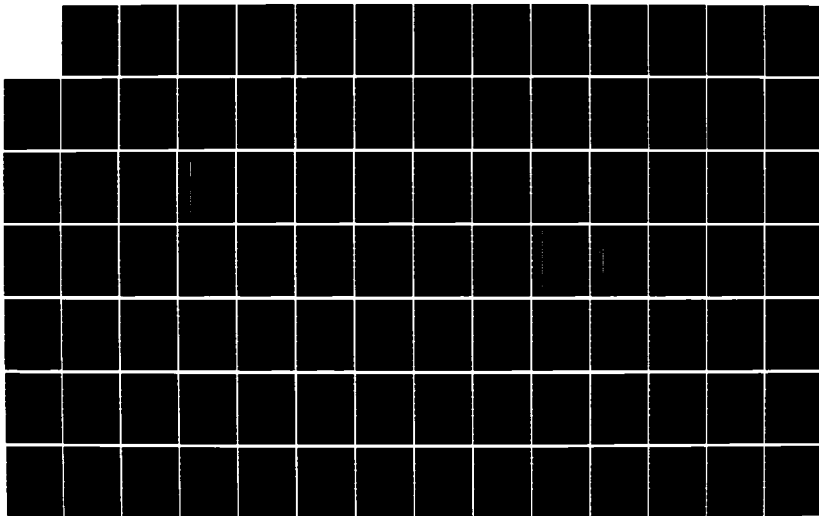
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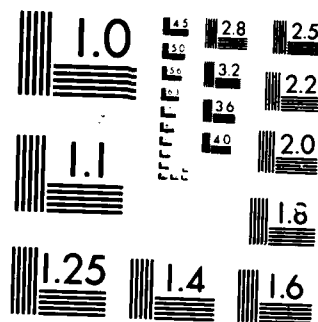
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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1963-A

disagreement about economic policy) to run with the President's party's support. With Grados' departure from the Labor Ministry, the government's vigorous attempt at encouraging dialogue between business and labor on wage and other policies also left the front pages and seemed to fall into disuse. Grados' failure at the polls only served to bury this initiative deeper as a policy of the incumbent government.

The present government has attempted to reinstate a free market economy in Peru, counteracting the years of statist practices on the part of the military government. Thus far, the government has only slightly modified rigid labor legislation that seems hurtful both to employer and worker. As presidential elections in April 1985 approach, the tendency will be to make this legislation even more favorable to the worker at, perhaps, the cost of overall productivity. During this period, politically-inspired labor unrest is likely to increase. Far left elements in the labor movement have a particular interest in encouraging such disturbances. However, the major democratic parties—including the most important part of the opposition, the Peruvian APRISTA Party—also have an important stake in preserving social peace to avoid eventualities that could threaten the democratic process. These forces should exert some moderating influence in labor affairs.

B. LABOR MINISTRY ORGANIZATION

The Labor Ministry, renamed the Ministry of Labor and Social Promotion, continues to reorganize under legislation adopted in June 1981. There are now two Vice Ministers, one for Labor and one for Social Promotion. The Vice Minister of Labor supervises the Directorates General of Labor (responsible for resolving industrial relations disputes and registering trade union organizations), Inspection and Occupational Health and Safety. The Vice Minister of Social Promotion supervises the Directorate General of Employment (which compiles employment and wage statistics through establishment and household surveys), Vocational Training, Participation (which monitors worker participation and profit-sharing) and Welfare and Social Security (which provides staff support for the Minister's participation in determining policy for the autonomous Social Security Institute). Other Directors General report directly to the Minister.

Principal Officials of the Ministry as of May 1984 are:

MINISTER - Joaquin Leguia Galvez
VICE MINISTER OF LABOR - Julio Cesar Barrenechea Calderon
VICE MINISTER OF SOCIAL PROMOTION - Alberto Felipe la Hoz Salman
DIRECTOR GENERAL OF LABOR - Segundo Portocarrero Silva
DIRECTOR GENERAL OF INSPECTION - Victor Castro Burga
DIRECTOR OF OCCUPATIONAL HEALTH & SAFETY - Octavio Rios Rios
DIRECTOR OF EMPLOYMENT - Cesar Pazos Maldonado
DIRECTOR GENERAL OF PARTICIPATION - Raul Gonzales de la Cuba

DIRECTOR GENERAL OF WELFARE & SOCIAL SECURITY - Carlos Leon de La Fuente
DIRECTOR GENERAL OF PLANNING - Raul Gonzales de la Cuba
DIRECTOR GENERAL OF LABOR, ECONOMY & PRODUCTIVITY - Fernando Garcia Rojas
DIRECTOR GENERAL OF JURIDICAL (and International Affairs*) - Peregrin Roman Unzueta (expert on ILO)
DIRECTOR OF ADMINISTRATION - Carlos Pinzas Bottger
DIRECTOR OF PERSONNEL - Manuel Ezcurra Ezcurra
DIRECTOR OF PUBLIC RELATIONS & INFORMATION - Raymundo Renterig Luzardo
TECHNICAL ADVISOR - Jose Flores Vasquez

*The Organic Law called for establishment of a separate Office of International Affairs, but it and the position of its Director are as yet uncreated and unfunded.

C. EMPLOYMENT

Unemployment and underemployment, in general, have become more serious problems since the mid-1970's. The most distressing trend has been in underemployment in the non-agricultural sector. (The Ministry defines as underemployed those who work less than 35 hours and make less than a January 1967 minimum wage adjusted for inflation). In 1973, the Ministry of Labor put underemployed in this sector at around 23 percent; in 1983 the Ministry estimated that 47 percent of the non-agricultural population was underemployed. During the same period, non-agricultural unemployment rose to an estimated 14.6 percent. Overall (including both agricultural and non-agricultural sectors) unemployment was 9.2 percent in 1983, an increase over 1982 (then 7.0 percent) and 1981 (6.8 percent). Including both the agricultural and non-agricultural sector, the Ministry estimated that only 36.0 percent of the economically-active population was adequately employed by the end of 1983. (See Table 1 for Lima employment statistics.)

These figures have caused a renewed awakening recently by officials and observers to an important phenomenon in the Peruvian economy -- the existence of a vast "informal sector" of people and businesses that work outside the norms of government regulations involving taxes and labor standards and whose economic activity has generally been ignored. A 1981 Ministry study in Lima estimated that 31 percent of the economically active population in Lima was employed in this "sector", including those in construction, and a third of those in manufacturing. The Ministry study indicates that the level of underemployment of people in this sector was roughly equal to that of those in the formal sector in 1981. Officials reason that this sector is fed by the constant influx of people to the Lima metropolitan and other urban areas from the countryside, where agricultural underemployment for years has been estimated at around 65 per-

cent. The existence of the informal sector explains the relatively low unemployment rate in a country where, in fact, the lack of social support payments make unemployment a particularly difficult condition. Preliminary studies indicate that even in this sector, however, employment decreased in 1983.

Thus, in 1983, there was little to be happy about from an employment point of view. In 1983 none of the temporarily favorable conditions existed that had created additional employment earlier in the Belaunde administration. The fishing sector remained depressed due to a change in ocean currents related to the "El Nino" phenomenon. Drought in the south and floods in the north severely cut agricultural production. The government's public works programs fell victim to austerity programs. In the Lima metropolitan area, manufacturing and commercial employment continued a decline rarely interrupted since the first quarter of 1981. Meanwhile, service industry employment in the last quarter of 1983 registered its first decline since 1979. In enterprises of 50 people or more, the government estimates that the overall demand for labor dropped 20 percent between its late 1982 peak and the end of 1983.

Both government and nongovernment analysts recognize that employment-creation is one of Peru's major challenges in the decades ahead. A recent estimate put the country's 1984 total population at 19.2 million. It is likely to reach 20 million in the next few years. Approximately two-thirds of the population resides in cities, with one-quarter of the total population in Lima alone (1984 population, 5.8 million; 1990, (est.) 6.4 million). The 1981 census put the 1972-1981 population growth rate at 2.5 percent, down from 2.9 percent the ten years prior (1961-1971). Population of urban areas continued to expand between 1972-1981 at a 3.6 percent previous years but still faster than that of the overall population. Due to the age structure of the country's inhabitants, the economically-active population between 15-64 years of age (now put at 6.13 million with 64 percent in the city) is also expected to grow faster than the population. Some 40 percent of the total population (7.5 million) was under 15 in 1983, suggesting a growth in those working or seeking work of 3.3-3.5 percent yearly. According to the Ministry of Labor, Peru needs to create over a half million new jobs annually to absorb new job seekers wishing adequate employment.

D. REMUNERATION

Wages and salaries in Peru have experienced a general long-term decline in real terms since 1973, following a decade of improvement in the 1960s. The most indicative statistics recording this fact pertain to the Lima metropolitan area, where statistical collection by the government is most developed. The rest of the country presumably shows a similar, if less well

documented, trend. Wages and salaries in the outlying cities, however, are generally lower than those in Lima, a fact recognized by the Ministry of Labor in establishing different minimum wages in various parts of the country. Disparities in income between city and rural areas, and between smaller cities and Lima undoubtedly have played a major part in the growth of the capital city in the last several decades. In Peru, as elsewhere in Latin America, great disparities also continue to exist between the wealthy and the poor. According to a recent study, ten percent of the country's families continue to receive 40 percent of the country's disposable income; 50 percent of the population shares less than ten percent. Income per capita in 1983 was estimated at US \$868.

The overall decline in real remuneration is recorded in data collected in Lima by the government. Average real remuneration of blue collar workers (in private enterprises with more than 10 people employed) in August 1983 in Lima declined to 57 percent of its 1973 value. The average blue collar wage in August 1983 was about \$2.65 a day, or 4,324 soles. Average salaries of white collar workers, in similar Lima enterprises, stood at 51.4 percent of their 1973 value, or at \$255, equaling 408,177 soles a month. Much of this decline took place before the present government took power in 1980. Indeed, white and blue collar remuneration, during the present government, showed a slight advance in real of 1973 wages for white collar workers and 73 percent for blue collar. Since then, however, the decline has been steady, affected by the extremely large 1983 inflation, so that white collar and blue collar remuneration in August 1983 was lower in real value than any time in the 1973-1983 period. (Table 2)

Workers in the large public sector (8 to 10 percent of the economically-active population) have suffered the greatest wage depreciation during the tenure of the present government. After experiencing a real increase in remuneration rising to 132 percent of 1979 pay levels, they suffered a decline which by August 1983 left public sector pay worth 73.9 percent of its 1979 value. In the private sector, white collar workers in 1983 earned 94.7 percent of 1979 pay and blue collar workers 82 percent of their 1979 remuneration. The Ministry has not released 1983 figures comparing unionized and nonunionized workers. The most recent figures, from 1982, however, indicate that unionized workers' pay has maintained its real value better than that of non-unionized workers. In the unionized sector under contract, now estimated to be 6 percent of the economically-active population, blue collar workers have maintained the real value of their pay more successfully than have white collar workers.

Unfortunately, government statistics provide only a partial view of overall remuneration, given the existence of the large "informal sector" and the relatively small percentage, estimated

at 36 percent of the population, that receives regular remuneration and is considered "salaried". Those not regularly touched by comprehensive surveys are considered part of the "independent" sector, including people ranging from street vendors to well-paid professionals, and including many who are in the "informal sector".

E. GOVERNMENT WAGE POLICY

Wages and salaries in the formal sector are heavily influenced by the government, with a spillover effect into the "informal sector". The government not only sets wages for the public sector, but also determines the minimum wage for the unionized and non-unionized private sector and decrees wage increases for the non-unionized private sector. Until 1981, it also determined cost-of-living wage increases for the unionized private sector. In the unionized private sector, the government is obligated to step into contract disputes following a breakdown in negotiations and decree a solution.

The government in 1983 extended its policy of tilting wage and salary increases to the poorest, using fairly complicated formulas to determine wage increases. In February 1983, the government established a "unit of reference" distinct from the minimum wage. Since public sector salaries, including those for the highest officials, and various tax liabilities are determined by multiples of the minimum wage ("sueldos y salarios minimos vitales"), this new reference standard allowed the government, by semantic reclassification, to establish a new minimum wage without affecting a whole range of other financial arrangements. In 1983, the government decreed three wage increases for public workers and three for non-unionized private sector employees, with the increases designed to impact heavily on those making close to the minimum wage. A decree in November 1983 brought the minimum wage up to 135,000 soles a month for employees paid monthly and 4,500 soles a day for workers paid daily (about US \$62 and US \$2, respectively at that time.)

In fact, the minimum wage is a bad indicator of the financial needs of wage earners, since political factors play a large role in its determination. In December 1983, the minimum wage, as determined by the "unit of reference", was worth 92.6 percent of its 1979 real value. According to a Ministry study, a typical family in 1979 needed two minimum wage earners to provide even the most meager of family "baskets", captioned "extreme nutritional poverty". In 1979, three baskets were required for a family to live at the level of "extreme poverty" and nearly four to merely reach the "cultural poverty" level. According to a 1981 study, about 71 percent of the Lima population received appreciably more than the minimum wage, 13 percent received about the minimum wage, and 16 percent less. The deteriorating economic conditions of 1983 suggest that this picture has not improved

and may have worsened since 1979.

F. WORKING CONDITIONS

1. HOURS WORKED

The normal work period is limited to eight hours a day with a maximum of 48 hours per week, with certain additional limitations in respect of women and minors. These limitations do not cover managers, administrators and other executive personnel.

The eight-hour workday may only be exceeded on a voluntary basis. Overtime, including work on public holidays, is payable at a premium agreed between the parties. However, a break of forty-five minutes in the middle of the day is obligatory. The times of commencing and finishing work each day vary according to the company's activity.

Laborers, usually paid on a daily wage basis, are entitled to additional day's wages, known as Sunday pay, on completion of a normal week's work (48 hours) or less if that is the system used by the employer. In the case of laborers paid on a monthly or half-monthly basis, Sunday pay is calculated as 1/25th of a month's remuneration for each Sunday in the month.

2. PAID HOLIDAYS AND VACATIONS

The dates of the public holidays are given in Table 4. Certain, but not all, of the public holidays may be taken by laborers without prejudicing their right to Sunday pay.

Employees and laborers are entitled to paid annual vacations of one month upon completion of each year of service, with a minimum attendance of 260 days. By agreement with his employer, an employee may surrender half his month's vacation (for laborers, 20 days) in favor of receiving double pay for those vacation days worked.

Subject to approval by the Labor authorities, vacations may be accumulated over a period of two years in the case of Peruvian employees or three years in the case of foreign contracted employees with periodic home leave. In circumstances where the employer does not grant vacations to the employee or laborer, a payment equivalent to three times the remuneration must be made. This amount should be charged to profit and loss for tax purposes in the financial year to which the social benefits corresponded.

3. FRINGE BENEFITS

Extraordinary, mid-year and year-end bonuses are payable at the discretion of the employer. Where fixed amounts or fixed percentages of salaries are paid regularly over the years, they

become obligatory by force of precedent. It is the general custom in Peru to pay the mid-year bonus just before the Independence holiday (July 28) and the year-end bonus before Christmas. Law No. 11725 grants a monthly bonus of 30 percent of salary to all employees who complete thirty years' service with the same employer (including time as a laborer, if applicable). This bonus is computable in determining severance indemnities and in respect of pensions but it is not computable for life insurance purposes.

On the completion of four years' service an employee becomes entitled to a life insurance policy in favor of his dependents in an amount equivalent to one-third of his earnings during this period. The respective premiums are paid by his employer. The capital value of the policy is adjusted at the end of each four-year period to take into account salary increases. The premium rates vary according to the age of the employee. A special scheme exists to deal with situations where employees are not acceptable first-class insurance risks.

4. TERMINATION OF EMPLOYMENT

Decree Law No. 22126 of March 21, 1978 states that employees and laborers who work at least four hours a day are entitled to job security and can only be dismissed because of "serious misdemeanors" as described by this law. Individuals hired from March 21, 1978 onward will acquire this right after working for three years for the same employer. Workers who fail to complete the three-year period may be dismissed with ninety day's notice or ninety day's pay. Union leaders enjoy job security even if they have not worked for three years with the same employer and may be dismissed only for committing a serious misdemeanor.

Serious misdemeanors are detailed by the law as follows: negligence, repeated refusal to obey orders, misuse of company property, transmission to third parties of the enterprise's private or secret information, habitual intoxication, unjustified absences, acts of violence, intentional damage to company property or continuous intentional reduction of production. If an employer is not able to prove the reason for a worker's dismissal, the latter is entitled either to reinstatement plus up to six months back pay, or a twelve months special indemnity plus up to six months pay according to the time elapsed before the court ruling.

The law also covers dismissal of workers because of financial or technical problems or because of force majeure. In these cases, the affected workers must be given thirty days notice or a months pay. In the latter situation, the worker is not obliged to work. However, no obligation arises if the employer demonstrates to the authorities that he is financially unable to comply with either the notice or the payment. If an employer

hires new personnel after the reductions mentioned above, priority must be given to qualified workers who had been laid off. Otherwise, these workers are entitled to apply to the Labor authorities for their reinstatement and accrued pay corresponding to the period out of work.

Indemnities paid to workers as sanctions cannot be deducted by the employer for corporate tax purposes.

Another aspect of this law relates to employers' hostility against workers. This may take the form of nonpayment or reduction of stipulated wages and other remuneration, permanent transfer to a lower level position, unjust transfer to another location, negligence affecting the safety of the work center or the worker's health, violent acts, serious verbal offense and deliberate non-compliance with legal or conventional obligations. If a worker feels ill-treated by his employer, he can take one of the following alternatives: (a) file a complaint with the Labor authorities which, in the event of the claim being proved justified, will result in a fine for the employer and a request that hostile acts be stopped, or (b) terminate his work contract and receive twelve months pay apart from all social benefits.

Employers who do not comply with the Labor authorities resolutions can be sentenced to up to three years imprisonment. Those who through illegal action close a labor center or abandon it with the purpose of laying off their workers are liable to a minimum sentence of three years in prison.

For three years following the promulgation of Decree Law No. 22126, all posts becoming vacant because of dismissal, retirement, resignation or death must be filled within thirty days, with the exception of companies with financial or technical problems, authorized by the Government to reduce personnel.

Employees, other than civil servants, are entitled to a tax-free severance indemnity payable upon the termination of their employment due to death, retirement, resignation or dismissal, including the case of dismissal for proven misdemeanor or of abandonment of employment without notice. This indemnity is at the rate of one months current salary for each year of service or part of a year in excess of three months. The right to the indemnity arises after the first three months service, considered a trial period. An employee who is dismissed during this trial period is entitled to one-twelfth of a months salary for each month of service. There is no trial period when an employee has been tested before engagement. For the purpose of calculating the amount of the indemnity payable to an employee, salary is deemed to include all additional remuneration of a fixed and permanent nature, i.e., sales commission, long-service bonus. Living and school allowances as well as other allowances appli-

cable to specific expenses are not computable.

Voluntary bonuses granted at the discretion of the employer are not included, unless by virtue of their method of calculation and timing of payment they are deemed to be fixed and permanent.

In the case of employees engaged on or after July 12, 1962, the maximum indemnity per year of service had been set at S/.12,000 until December 31, 1975. As of January 1, 1976 this amount was increased to a maximum of S/.30,000 per year. If the employee's salary is less than the maximum, the basis for computation is the actual salary.

Employees who are entitled to a participation (by contract) of at least 5 percent in the profits of their employer are not entitled to a severance indemnity. If this participation arises from the ownership of the company's shares, the employee is still entitled to a severance indemnity.

Similar provisions apply with respect to laborers, but the amount of the indemnity is computed in the following manner: (a) in respect of service prior to January 12, 1962, fifteen days wages per year or fraction of a year plus (b) thirty days wages per year for fraction of a year in respect of service from January 12, 1962, with no limitation.

5. SOCIAL SECURITY

a. SOCIAL SECURITY SYSTEM

Seguro Social del Peru is the public institution that administers the systems of public health, pensions and other social payments, workers' accident insurance and professional sickness as regulated by law. Payment of contribution by employers and employees and laborers is obligatory by law and includes foreign employees, except in the case of certain employees of regional headquarters established in Peru. In general, all working persons are covered by social security legislation.

b. CONTRIBUTIONS

Legislation has established the system of single payment covering all the various contributions established by social legislation. Contributions are based on the total monthly remuneration received by the insured laborers or employee (for services rendered to the employer) whatever denomination given to them, including payments in-kind and also those based on collective bargaining.

The only elements of remuneration which are excluded for the purpose of these contributions are the following:

(1) Extraordinary bonuses that are not permanent in character, that is, those that are not given for two consecutive years.

(2) Special bonuses in lieu of participation in profits.

(3) Participation in profits.

(4) Bonuses for the risk of loss of money.

(5) Bonuses for wear of tools.

(6) Benefits to the worker in order that he may carry out his work, such as daily transport allowances, representation or clothing expenses.

(7) Benefits granted by special legislation to cover cost-of-living increases.

Employers are obliged to pay the contributions for which they are responsible as well as those contributions retained from employees to the authorities within the following month. Employers may assume the contribution of the employees.

Failure of the employer to pay social security contributions is a serious offense and can result in imprisonment of the legal representative of the employer from a minimum of one month to ten years, especially in cases when the amounts retained from the employees are not paid within ninety days from the time of their retention.

c. BENEFITS

(1) HEALTH

Manual workers are entitled to medical hospital services, medicines and temporary payments up to a maximum of 70 percent of their monthly wage. The worker's wife and children are also provided with medical attention and some basic medicines.

Employees are granted the following benefits:

(a) Medical and hospital services and medicines.

(b) Temporary payments up to a maximum of their monthly salary from the second month of illness. A full first months salary must be paid by the employer.

(c) Female workers are given 1/30th daily of 70

percent of their monthly salary for forty-two days after child-birth. An additional daily allowance of 1/30th of 50 percent of the minimum amount subject to social contribution is paid to them during the following eight months.

(d) An employee's wife is entitled to medical attention from the sixth month of pregnancy.

(e) Clinic expenses are reimbursed up to a maximum of double the monthly salary.

(2) PENSIONS

The pension fund pays pensions to employees and laborers who have reached the ages of sixty (male) or fifty-five (female) after contributing 2.5 percent of their monthly remuneration for fifteen years (male) or thirteen years (female). The maximum pension payable is S/.30,000 per month. It varies according to the salary earned by each individual.

Workers with lengths of service less than those mentioned above are entitled to receive varying amounts according to the number of contributions paid to the system. Pensions are also paid under any of the following circumstances:

(a) To individuals who become disabled, physically or mentally.

(b) To widows and orphans of laborers who have the right to be paid a pension.

The amount of the above mentioned pensions is determined according to the wage earned by the laborer and the number of contributions paid to the system.

(3) WORKMEN'S ACCIDENT INSURANCE

Employers must contribute monthly payments to the social security administration to support sickness benefit payments in case of work accidents or occupational sickness of manual laborers. Workers are entitled to hospital services, medicines, surgery and pensions, according to their personal circumstances. Contributions are paid solely by the employer.

Calculation of contributions is based on the monthly remuneration, at the disposal of the worker. The percentage on remuneration varies from 1 to 12.2 percent in accordance with a scale based on the degree of risk involved. Extraordinary bonuses, participations in the company's profits and payments for specific purposes connected with the laborer's or employee's work are not computable.

d. FOREIGN PERSONNEL

Foreign personnel require a work contract signed abroad which must be duly approved by the local labor authorities. They also require a work visa or a residence visa. This is generally requested by the employer from the Director General of Immigration in an application accompanied by a letter of guarantee and the work contract. The duration of the visa is usually for the period of the contract. Foreigners with a tourist visa may not conduct business.

(2) RESTRICTIONS ON NUMBER EMPLOYED

According to current legislation, at least 80 percent of the employees and laborers, computed separately, of any commercial or industrial enterprise must be Peruvian nationals and at least 80 percent of the payroll must be paid to Peruvians. Owners, directors and shareholders are not taken into account. This legislation does not apply to foreigners who are married to Peruvians nor to foreigners who have children born in Peru. It is possible to obtain an exemption for limited periods from the provisions of this law in respect of foreign technical employees, but only on submission to the labor authorities of adequate proof that qualified Peruvian nationals are not available.

(3) PAYMENT IN FOREIGN CURRENCY

Remuneration in foreign currency can be paid to foreign personnel contracted abroad. The initial remuneration and any increases thereto are agreed freely between the parties, the Government intervening only as regards minimum wage limits and, at times, to decree general increases and bonuses to compensate for rises in the cost of living.

G. GOVERNMENT INDUSTRIAL RELATIONS POLICY AND LABOR LEGISLATION

Controversial Labor Minister Alfonso Grados Bertorini resigned in June 1983 in disagreement with the government's economic policies. His departure signaled the end of the outward evidences of his policy of concertation social (social harmonization or consensus through tripartite dialogue between labor, employers, and government). Under his successors, first Patricio Ricketts Rey de Castro and then Joaquin Leguia, the Ministry reverted to a less innovative and generally more traditional role, though laws encouraging tripartite dialogue remain on the books. The withdrawal of the Peruvian Workers Confederation (CTP) from the National Labor Commission in mid-1983 in effect doomed the Commission to irrelevance given the absence from the Council already of the largest confederation, the Communist-controlled General Confederation of Peruvian Workers (CGTP). Nevertheless, Ministry officials claim that

Grados' two and a half year tenure left some positive results, including progress in breaking away somewhat from the pattern in which unions strike mainly to involve the government and, therefore, inspire a government-decreed settlement. Though this pattern is still evident, officials say more problems are being handled through direct employer-employee discussion than in the past.

Ricketts, Garados' immediate successor, remained in the Minister's chair for less than two months. During that period, he showed some evidence of attempting to impose a labor-management philosophy on the Ministry similar to that of his predecessor but without the same label. Then, in a surprise move, the President announced in mid-August that Joaquin Leguia would take Ricketts' place. Leguia, a labor lawyer from the business side of labor management relations, in fact, had already been named the new Secretary of Education. (When Leguia assumed office at Labor, Ricketts took the Education portfolio.) As Minister, Leguia has laid down no overreaching principles and has been far quicker than either of his two predecessors to solve problems with Ministry decrees. Under Leguia, the Ministry has had reasonable success in bringing to conclusion some difficult matters, including a long standing problem of several hundred miners who for over a year had occupied the streets and parks of Lima trying to get the government to reopen three closed mines.

Except in one area, labor legislation underwent little change during 1983. New laws regulating unions, strikes, and job stability have been under discussion for several years. A new strike law, in fact, was passed by the upper house in 1981 but has not found favor as yet in the lower house.

As far as an important job stability regulation is concerned, both labor and employers want changes in existing legislation but in opposite directions. The original legislation was enacted during the first phase of the military regime to protect workers from dismissal. The second phase military government modified the legislation to extend from three months to three years the initial trial period during which employers may fire employees. Unions complain that the trial period is too long and that many employers routinely fire workers before they acquire "stability". Employers complain that the law prevents them from firing incompetent or malicious employees after the three-year trial and makes it difficult to reduce their work force when economic circumstances require. (In May 1984, the upper house of Congress surprisingly passed a law changing the trial period to six months).

The one exception in 1983 to legislative inactivity on labor was a law passed in November affecting severance pay which briefly created great confusion. Under Peruvian law, the amount of money paid an employee when he leaves or is fired from a job

is regulated by the number of years he has worked for his employer. For white collar workers employed since 1963, however, the law specified a very low maximum severance pay per year worked. Legislation passed in 1983 raised this considerably. This immediately raised objections by the business community to the law's retroactive feature, which meant businesses had to recalculate the amount of money they needed to set aside as a contingency for severance pay. After a period of confusion, including a period in which a bill that undid the legislation was introduced, passed, and then disowned, the new law favoring the workers was promulgated in December by the executive branch and took effect in early 1984.

H. STRIKES

As measured by the Ministry of Labor, the total number of strikes (642) decreased in 1983 in comparison with 1982 (809) and 1981 (871). The number of workers affected, however, increased to 778,393 from 548,891 in 1982. Man-hours lost were down to 20 million from 22.5 million.

These figures record two phenomena. On the one hand, workers in many industries seemed to be somewhat more reluctant than in past years to go on job-related strikes. Strikes in manufacturing industries, construction, and commercial establishments, all depressed in 1983, were down considerably from the past year. This decrease can be best explained by the poor economic conditions which undoubtedly dampened the enthusiasm of workers in many companies to risk their jobs. The pattern, however, was not uniform, with the mining industry in particular affected by strikes.

On the other hand, the increase in workers affected can best be accounted for by the increase in politically-motivated strikes. These included two one-day general strikes, the first one in March and the second in September 1983, which had varying degrees of success measured in political terms, but inevitably kept many people from work. These included workers who did not necessarily sympathize with strikes, but remained at home because the strikes affected public transportation.

Of the two 1983 general strikes, both of which were called to protest the government's economic policy, the most successful was that in March. Even this strike, however, fell short of the goals set by its principal sponsor, the Communist-controlled CGTP. In part this was because the government, just prior to the strike, significantly increased the minimum wage. The second general strike had even less impact as the CGTP tried to go it alone without the support of a segment of the transportation workers and the CTP.

Election year politics undoubtedly affected the strike scene

in 1983. As the November municipal election approached, public sector unions became particularly restive, hoping to influence the government to loosen its purse strings in exchange for electoral support. Some strikes took disturbing and bizarre turns. Ministry of Agriculture workers, for instance, invaded the French Embassy in October to pressure the Peruvian government for better working conditions. Several thousand PescaPeru (the government-owned fishing enterprise) workers marched on Lima during the last months of November demanding, among other things, that PescaPeru's business rationalization program not include the closing of certain plants. The government managed to come to settlement on both the fisheries and agriculture strikes prior to the election, but various public worker's labor organizations stayed on strike for a period even following the election. During this period, citizens were inconvenienced by strikes by doctors in state hospitals, postal workers, court workers, and municipal employees, among others.

In the private sector, the most economically-damaging strikes of the year occurred in the mining sector. Sixty-eight strikes caused losses of 8.2 million man-hours against 2.9 million in 1982, and cost workers \$4.5 million in wages, vs. \$2 million in 1982. The hardest hit company was the Southern Peru Copper Corporation, whose Toquepala mine was out 65 days and whose Cuajone operation shut down for 42 days.

I. TRADE UNIONS

Figures on trade union federation and confederation membership are notoriously unreliable. Dues are collected sporadically. What official data the Labor Ministry has are from unions original requests for legal recognition. This information is quickly out of date as unions grow or shrink in size and shift affiliation due to internal political changes. The best estimates from Labor Ministry and other sources is that only 6 percent of the 8-10 percent of the economically active population is under contract, i.e., some 360,000 workers. This estimate excludes workers organized, but without contracts, of the economically-active population employed by the government and most peasant organizations. Teachers are heavily organized, organization has grown among other public employees, and many small farmers and cooperative members are organized, so the organized portion of the economically active population may be about 15 percent, or roughly 900,000 (or about 40 percent of the 2.2 million salaried workers).

It is difficult to chart the strength of different political tendencies within Peruvian organized labor, as they compete for control of individual unions and these shift between federations and confederations of the different ideological orientation.

Generally, orthodox, Moscow-line Communists predominate in banking, construction, graphics, and to a lesser extent in manufacturing industries. Ultra-Communists and other far leftists lead most mining, teaching and peasant organizations and compete with the orthodox Communists in manufacturing and public employee unions. Two rival currents associated with the APRA party predominate among textile, sugar, port and transport workers and private sector white collar employees, compete in manufacturing industries and among public employees and have minority organizations among teachers and peasants. Other groups control fishing and fish processing unions and divide health sector unions with Apristas and Communists. The major labor groupings are as follows:

1. CGTP

The largest and strongest labor confederation in Peru is the General Confederation of Peruvian Workers (CGTP). The CGTP leadership is controlled by the Moscow-line Peruvian Communist Party. The CGTP is affiliated to the World Federation of Trade Unions (WFTU) and its Latin American organization, CPISTAL. The CGTP claims that it has some 40 federations and 200 directly affiliated local unions with a total of 900,000 members. These claims are highly inflated. A recent Ministry of Labor estimate put CGTP membership at 40 percent of Peruvian organized labor. The estimate does not include dependent federations and unions, such as the miners and teachers, which are led by more radical Trotskyite or Maoist Communists and which frequently cooperate with and discuss affiliation to the CGTP. (The teachers' union — SUTEP — is technically a CGTP affiliate now, but does not act like it.) These "independents" insist that the CGTP dismantle or merge with the largely paper, parallel CGTP federations. According to leftist commentators, CGTP leaders fear that admission of large new affiliates might threaten their continued dominance, so merger negotiations have made little progress. The CGTP, for instance, in 1983 continued to resist affiliation by Campesino Confederation of Peru.

The CGTP was organized and recognized officially in 1968, during the Velasco Government. (Prior to 1968, the Communists controlled many unions and federations but worked within the CTP.) With government encouragement, and repression of its Aprista rivals, the CGTP quickly became the dominant labor central. It remained so despite later efforts of the military government to organize a rival official confederation. Commentators feel the CGTP has declined in cohesion and militance since the 1980 return to democracy.

The CGTP participated in government efforts at social harmonization or consensus during the first year and a half of constitutional rule. It participated in the Tripartite

Commission, obtaining the rehiring of many of the union members and leaders, fired during the military government. The CGTP quit the Commission in December 1981 and refused to join the successor National Labor Council formed in February 1982. That decision set back the relatively moderate and pragmatic CGTP Secretary General Eduardo Castillo and strengthened harder line orthodox Communists influenced by former CGTP Secretary General Gustavo Espinoza. Castillo was replaced in the July VII Ordinary Congress by Valentine Pachó Quispe, who immediately signalled an even more aggressive CGTP mobilization against the government by hastily attempting to organize a general strike for September. Pachó's designation according to some commentators was designed to keep the most radical factions within the CGTP within the organization.

The strongest CGTP federation is the wealthy, dues paying bank employees federation (FEB). Other key CGTP federations are those for construction workers (the main source of CGTP street demonstrators), and metal manufacturing and graphic workers. Important current CGTP leaders are:

Isidoro Gamarra Ramirez
(construction) - President

Valentine Pachó Quispe (construction)
(construction) - Secretary General

Pablo Checa Ledesma (metal workers)
Assistant Secretary General

Pedro Grillo Miranda (bank employees)
Secretary of Organization

Gregorio Bazan Tello
Secretary of Defense

Leaders of CGTP federations include:

Antonio Zuniga
Bank Employees Federation
Secretary General

Pedro Huilca Tecse
Construction Federation, Secretary
General

Jorge Rabines
Graphics Federation, Secretary
General

Cesar Salazar
Leather & Shoe Federation, Secretary
General

Javier Donayre
Paper Federation, Secretary General

2. CTP

Peru's oldest and second strongest labor central is the democratic, APRA-oriented Peruvian Workers' Confederation (CTP). It is affiliated to the International Confederation of Free Trade Unions (ICFTU) and the Inter-American Regional Workers Organization (ORIT). The CTP claims to represent 500,000 workers, including nearly 400,000 in its Democratic Campesino Federation. Best estimates give the CTP about 15 percent of organized labor (100,000 - 135,000). Before 1968, the CTP was the only recognized confederation and incorporated most of Peruvian organized labor. It lost strength over the last two decades due to strife between Aprista factions, growing Communist and ultra-Communist strength, and government favoritism for first Communist and then government created labor groupings during all but the very last part of the twelve years of military rule. The CTP is strongest among textile and sugar workers, and has significant strength through its white collar employees confederation. It also has a telephone federation and many strong directly affiliated local unions in the manufacturing, mining, electric power, health and social security, rail and transport sectors. Other CTP affiliates include a small Lima teachers union and a democratic peasant confederation strongest in the north. Key CTP officials are:

Senator Julio Cruzado Zavala
(textiles) - President

Julio Santa Maria (lumber workers)
Secretary General

Ricardo Espinosa (metal workers)
Secretary General

Pedro Caceres Becerral (agricultural
workers) - Secretary General

Victor Salas M. (textiles)
Secretary for Defense

Manuel Ramirez Salas (drivers)
Secretary for Organization

3. CNT

The National Workers Confederation (CNT) was organized as a Christian Democratic labor central, affiliated to the Latin American Workers Confederation (CLAT) and World Confederation of

Labor (WCL). It was recognized officially by the military government. A recent estimate gave it two percent of Peruvian organized labor. It split in half several years ago. The officially recognized portion dropped its Christian Democratic orientation, joined the CTP in the Peruvian Democratic Labor Front established by Julio Cruzado in 1980, and is close to the governing Popular Action (AP) Party. Official recognition entitled it to a seat on the Tripartite Commission and National Labor Council. Its leaders are:

Victor Sanchez Zapata, President

Teodosio Torres, Secretary General

Enrique Arias, Vice President

The other CNT, led by Secundino Perez, retained the CLAT affiliation and frequently collaborated with the CGTP, but is now said to be closer to the conservative Popular Christian Party, the junior partner in the government. A third CNT splinter is commercial workers federation led by Smith Davila Lopez. Sanchez Zapata has his strength in the Social Security Institute and some provincial groupings, while Secundino Perez has the CNT Headquarters building, some provincial peasant and artesian organizations and other splinter groups.

4. CTRP

The Workers Central of the Peruvian Revolution (CTRP) was created and supported by the military regime as its official labor arm and counterweight to the CGTP. It lost most of its membership when official support was withdrawn. Most current estimates concede it only about one percent of organized labor. Its radical Lima regional federation broke away and collaborates with the CGTP. The national CTRP has its strength among fish processing workers (especially at the enterprise partially owned by Star Kist in Chimbote), fish vendors, bakers, sailors and some construction workers in Lima. It retains marginal influence in some mining unions. It, too, is a member of Cruzado's Democratic Labor Front and of the National Labor Council.

5. INDEPENDENTS

About 35 percent of Peruvian organized workers belong to independent unions and federations. Most of the largest and strongest independent federations (i.e., teachers, miners, light and power workers and municipal employees) are led by anti-Moscow ultra-Communists. Others (particularly port and petroleum workers, as well as the transport workers not in the CTP) are led by non-CTP Apristas. The following paragraphs describe some notable independent organizations:

a. SUTEP

The Unified Union of Peruvian Education Workers (SUTEP) claims 100,000 members and represents the vast majority of Peruvian teachers. Its effective strikes sapped the military's will to govern and thereby helped pave the way for the return to constitutional rule. It still represents most teachers, but failed on several occasions to mobilize them for effective anti-government strike action during the Belaunde Administration. SUTEP reportedly affiliated to the CGTP in 1983, but SUTEP still does not function as a part of the CGTP. The CGTP maintains its rival phantom teacher federation (FENTEP). FENTEP has a seat on the CGTP Executive Board where it could cancel out SUTEP's vote. Internationally, SUTEP belongs to the World Confederation of Organizations in the Teaching Profession (WCOTP), known in Spanish as CMOPE, but domestically it is Marxist-Leninist in orientation.

b. FNIMMP

The National Federation of Mining and Metallurgical Workers of Peru (FNIMMP) includes unions in most large, medium and small mining enterprises in Peru. Muscovites, Maoists and the small Trotskyite Communist Parties compete for dominance of the FNIMMP and its member unions. The FNIMMP maintains its strength and militance under civilian rule, assisted by the estrangement its mostly Indian and Mestizo membership feel from modern urban Peruvian society. (Most mines are isolated in high mountain areas.) At its March 1982 convention the FNIMMP elected the following top leaders to serve until 1984:

Victor Cuadros Paredes, President

Francisco Vasquez, Secretary
General

Alfredo Silva Preciado, Assistant
Secretary General

Jorge Quezada, Saul Cantoral,
Porfirio Delgado and Atilio Cabrera
Secretaries of Defense

Francisco Gonzales, Secretary of
Organization

A 1982 estimate put membership at 40,000 miners in 133 unions, compared to 2,000 non-FNIMMP union members.

c. NON-CTP APRISTAS

The port workers of Callao and other Peruvian ports

constitute the main power base of the non-CTP Aprista unions. They also control unions in the health, petroleum, private employees, credit union, banking and transport fields. Non-CTP Apristas hold strong minority positions in many CTP and CGTP unions and among public employees. They dominate the Aprista Party's trade union bureau and favor direct party control over the CTP. Among the leading non-CTP Aprista labor figures are:

Luis Negreiros Cridado—Calloa Congressman, APRA's 1980 Vice Presidential Candidate and Secretary General of the National Port Workers Federation and National Port Enterprise Workers Union.

Josmell Munoz—labor lawyer and chairman of the APRA Party Labor Affairs Committee.

Manuel Bustios—paper unionist and APRA Trade Union Secretary.

Jose Linares Gallo—Petroleum Federation (PETRAPEP) Secretary General and Director of a Center for Advanced Trade Union Studies (CAES).

Medado Gomerio—Director of the Inter-American Regional Office of the International Transport Federation (ITF), located in Lima.

Luis Maima—local representative of IRO-FIET.

d. PUBLIC EMPLOYEES

The 1979 Constitution allows government employees to organize, bargain and strike. Rival Moscow-line and anti-Moscow Communists and non-CTP Apristas have worked to organize government employees for several years. Elements close to the CGTP organized an Inter-Sectoral Confederation of State Workers (CITE) in 1978. It is now led by Ciro Salazar and is working to broaden its membership. Although organizing efforts among employees of government ministries are relatively new and only partially successful, other public employees (teachers, customs workers, social security and other hospital employees) have long been unionized, as noted previously.

e. PETROLEUM WORKERS

Strong unions exist in the various installations of the

state oil firm, PetroPeru and of many of its contractors. Most are nominally in one or both of two national federations, FETRAPEP (PetroPeru) and FENATRAPP, led by non-CTP Aprista Congressman Julio Linares Gallo and radical Talara PetroPeru union leader Eulogio Leon Farias, respectively, but are independent in fact. CTP petroleum leader Eugenio Terrones is also influential.

f. PEASANT ORGANIZATIONS

Not legally considered labor organizations, the two strongest peasant (campesino) organizations are the National Agrarian Confederation (CNA) and the Peruvian Campesino Confederation (CCP). The CNA was formed by the Velasco Government as its official peasant organization, consists mainly of members of agrarian reform cooperatives, mostly in the coastal plain, and is linked to the Velasquista Revolutionary Socialist Party (PSR), one of the component parties of IU. The CCP, reportedly made up of poor peasants in the highlands who did not benefit as much from the agrarian reform, is linked to the Maoist parties of IU. The Moscow-line Communists also have a small General Peruvian Campesinos Confederation (CGCP) affiliated to the CGTP, and the CTP has a Democratic Campesino Federation. Another strong rural organization, made up of small and medium farmers, is the Aprista-led National Agrarian Organization (ONA).

6. INTERNATIONAL

The International Labor Organization's (ILO) Regional Office for Latin America and the Caribbean is located in Lima. In 1983, Director Julio Galer was transferred to Geneva, and Dr. Jorge Carpiata, a Peruvian, took over as Acting Director. The ILO facilities in Lima include the Inter-American Labor Administration Center (CIAT), directed by Dr. Jorge Difrieri, an Argentinian. CIAT is a voluntary organization of Western Hemisphere Labor Ministries. It is financed by negotiated contributions from the ILO and the United Nations Development Program. It provides technical assistance to member ministries, teaches them about ILO principles and obligations, and helps them learn from each other's strengths.

All three trade union internationals have affiliates and undertake activities in Peru. As noted in the section on trade unions, the CGTP is the Peruvian affiliate of the Communist World Federation of Trade Unions (WFTU) and its Latin American Permanent Trade Union Committee (CPOSTAL). WFTU, CPOSTAL and East Bloc Governments and "Labor Movements" presumably provide considerable assistance to the CGTP and to leftist independent unions, directly through the orthodox Peruvian Communist Party and other far left parties in the United Left (IU). The CGTP has an active trade union education center in Lima.

The CTP is affiliated to the International Confederation of Free Trade Unions (ICFTU) and its Inter-American Regional Workers Organization (ORIT). The AFL-CIO's AID-assisted American Institute for Free Labor Development (AIFLD) assists the CTP, CNT (Sanchez) and CTRP through an autonomous Peruvian Institute, AFELIES (Association to Promote Labor Education and Economic and Social Investigation). From April 1982 through March 1983, AIFLD conducted 58 seminars and 2 forums for Peruvian trade unionists, sent 16 people to the United States for advanced courses, and established its first medical center for workers. Since then, AIFLD has held 41 seminars, 7 regional conferences, sponsored 9 other educational activities for 2,881 Peruvian trade unionists, and sent 16 workers to the United States for advanced training. It also provided technical assistance to CTP organizing drives which helped it to recover local unions previously lost to the CGTP and others. In 1983, AIFLD also arranged international help for the disaster stricken areas of Tumbes and Piura, mounted a program with a confederation of office workers in private enterprises, and arranged with AID for the CTP to provide food, medical and family planning advice to slum women through the Meany Medical Center.

The other CNT (Perez) is affiliated to the Latin American Workers Confederation (CLAT) and through it to the World Confederation of Labor (WCL). Through CLAT, the CNT (Perez) has received assistance from the German Christian Party (PPC), the conservative junior partner to the Popular Action (AP) Party in the governing coalition.

A number of International Trade Secretariats (ITSS) are active in Peru and many provide modest assistance to strengthen their Peruvian affiliates. Leaders of the affiliates of two AIFLD-assisted ITSS are at sharp odds with the leadership of the AIFLD-assisted CTP, from which they are estranged. The International Transport Workers Federation (ITF) maintains its Inter-American office in Lima, directed by Peruvian Medardo Gomero, who provides seminars and other assistance to the ITF's Peruvian affiliates, particularly the port workers of Calao and other Peruvian ports led by anti-Cruzado Aprista labor figure and Congressman Luis Negreiros. Gomero's office also assists other ITF affiliates throughout the hemisphere. The ITF Inter-American office received AIFLD assistance through a special regional program for transport workers managed by the Brotherhood of Railway and Airline Clerks (BRAC) in Washington.

The Inter-American Organization of the International Federation of Employees and Technicians (IRO-FIET) also conducts AIFLD-assisted programs in Peru. Its Secretary-General, Al Cory, based in Curacao, visited Peru in the autumn of 1983. IRO-FIET's Peruvian affiliates are predominately non-CTP Apristas.

Three other AIFLD-assisted its programs work with CTP unions. The Post, Telephone and Telegraph International (PTTI) is represented in Peru by CTP private employee confederation leader Felix Loli. It assists CTP telephone workers and CTP minority groups in the light and power unions. The International Textile, Garment and Leather Workers Federation (ITGLWF) conducts occasional programs with the Peruvian Textile Workers Federation, the backbone of the CTP. The American Federation of Teachers occasionally utilizes AFELIES to conduct programs for the International Federation of Free Teachers Unions (IFFTU) with the CTP's small teachers affiliate, the Lima Democratic Teachers' Union (SINDEL).

Other International Trade Secretariats conduct programs financed by their European affiliates, without AIFLD assistance. The radical teachers union SUTEP is affiliated to the World Confederation of Organizations in the Teaching Profession (WCOTP). In the past, the radical miners federation (FNIMMP) has received assistance from the Swedish miners through the Miners International. The International Federation of Plantation Agricultural and Allied Workers (IFPAAW) helps the CTP peasant federation in northern Peru. Campesino cooperatives, many of which are affiliated to the radical CNA and CCP, receive support for specific projects from the Inter-American Foundation (IAF) and from Western European assistance organizations. The International Chemical and Energy Workers Federation (ICEF) assists non-CTP Aprista petroleum workers' leader and Congressman Jose Linares Gallo and his Advanced Trade Union Studies Center (CAES). In addition, the German Social Democratic Friedrich Ebert Foundation assists CAES and non-CTP Aprista unions. CAES also has received aid from the ILO to run seminars and conduct studies.

TABLE 1

UNEMPLOYMENT, UNDEREMPLOYMENT AND EMPLOYMENT
IN LIMA METROPOLITAN AREA

	1980	1981	1982
Adequately-employed	66.9%	66.4%	65.4%
Underemployed	26.0%	26.8%	65.4%
Unemployed	7.1%	6.8%	6.6%
Economically Active	1,327,149	1,344,091	1,445,622

TABLE 2

AVERAGE NOMINAL AND REAL PRIVATE SECTOR SALARIES
(White Collar)
& WAGES (Blue Collar) IN METROPOLITAN LIMA

1973 - 1983

Index Base 1973 = 100

YEAR	SALARIES (White Collar)		WAGES (Blue Collar)	
	NOMINAL (Soles Per MONTH)	REAL (INDEX)	NOMINAL (Soles Per MONTH)	REAL (INDEX)
1973	10,427	100.0	5,520	100.0
1974	11,663	95.7	6,360	98.4
1975	13,954	87.5	7,080	83.7
1976	16,021	79.7	9,660	90.8
1977	19,231	69.7	11,280	76.6
1978	26,065	59.5	16,020	69.0
1979	39,926	54.3	26,040	66.8
1980	68,237	58.3	45,300	73.4
1981	122,376	59.6	77,640	71.4
Feb 1982	178,343	65.9	108,923	73.9
May 1982	198,498	64.1	119,768	72.8
Aug 1982	226,700	64.3	136,805	72.8
Nov 1982	259,386	62.9	158,367	72.3
Feb 1983	304,014	60.8	178,703	67.4
May 1983	343,785	55.10	205,794	61.9
Aug 1983	407,177	51.44	239,505	57.0

TABLE 3

LABOR DISPUTES

1978 - 1983

YEAR	NUMBER OF STRIKES	WORKERS AFFECTED	MAN-HOURS LOST
1979	653	841,144	13'410,735
1980	739	481,484	17'918,890
1981	871	856,915	19'973,932
1982	809	572,263	22'750,879
1983	643	784,552	19'916,176

TABLE 4

STATUTORY HOLIDAYS

The official Peruvian holidays are:

New Year's Day -----	JANUARY 1
Maundy Thursday (half day from 1:00 p.m) ----	MARCH/APRIL
Good Friday -----	MARCH/APRIL
Labor Day -----	MAY 1
Saints Peter and Paul -----	JUNE 29
Independence Days -----	JULY 28 & 29
Saint Rosa of Lima -----	AUGUST 30
Day of National Dignity -----	OCTOBER 9
All Saints' Day -----	NOVEMBER 1
Day of the Immaculate Conception -----	DECEMBER 8
Christmas Day -----	DECEMBER 25

The Government may exceptionally declare other days to be non-working days.

IN-COUNTRY RESOURCE ANALYSIS

SUMMARY MATRIX

CHAPTER 8
ECONOMICS, COMMERCE,
INDUSTRY & CIVILIAN SUPPLY

Resource Category	Estimate of Availability Status
GENERAL CONDITIONS	Economic growth has declined for the past three years in Peru (1981-1984). El Nino and run-away inflation is the force behind the decline.
SECTORIAL DEVELOPMENTS	<p><u>FISHING</u> - El Nino has caused a tremendous reduction in the catch for 1984 and will impact the industry for years to come.</p> <p><u>INDUSTRY</u> - Peru's major constraint to industrial development is the small size of the domestic market. Another problem is the ability of the terrorists groups to interrupt power to the major industrial areas.</p> <p><u>MINING</u> - The major element in Peru's economy. Approximately 54 percent of the export earnings.</p>
NATIONAL PRODUCTION	Peru has abundant natural resources and very productive agricultural land but does not have the expertise and capital to exploit these resources.
INTERNATIONAL TRADE	The current worldwide recession struck just as Peru's new international export related investments were to be implemented. As a result, demand declined drastically worldwide and export proceeds dropped just as foreign debts came due for repayment.
FISCAL SITUATION	Peru's fiscal situation is currently poor. Real liquidity has dropped by 23 percent over the past three years with 17.5 percent occurring in 1983. Inflation for 1983 and 1984 was over 100 percent.
BALANCE OF PAYMENTS	Peru's current balance of payments are in the red by approximately \$1 billion. Prices for Peru's mineral exports remain low and new foreign investments remain elusive.
FOREIGN DEBT	Peru's total external debt at the end of 1983 totaled 12.3 billion dollars.
UNEMPLOYMENT AND WAGES	Unemployment has increased under civilian rule (1980 to present). Underemployment has also increased to 51 percent from 46 percent during this period.

IN-COUNTRY RESOURCE ANALYSIS

SUMMARY MATRIX

CHAPTER 8
ECONOMICS, COMMERCE,
INDUSTRY & CIVILIAN SUPPLY

Resource Category	Estimate of Availability Status
OUTLOOK AND INVESTMENT OPPORTUNITIES	Some Peruvians feel 1985 will be even worse than 1984. The passing of El Nino however, should allow agriculture, fishing and mining to improve.

CHAPTER 8

ECONOMICS, COMMERCE, INDUSTRY AND CIVILIAN SUPPLY

A. GENERAL CONDITIONS

The Peruvian economy expanded by an average of five percent annually during 1972-1976 but declined by 1.2 percent in 1977 and 1.8 percent in 1978. Nineteen eighty-three showed a real growth of about one percent. The recent low rate of economic growth was mainly due to a scarcity of foreign exchange and weak domestic demand for consumer and investment goods, arising from a drop in real income and contraction of money and credit in real terms. Selected sectorial weights of the gross domestic product (GDP) in 1983 were: industry 25 percent; agriculture 13 percent; mining 10 percent; construction 5 percent; and fishing 2 percent.

Peru began to experience serious internal and external economic imbalances in the mid-1970s, owing in large part to the growth of government beginning in 1968. Nationalization of commercial farming, mining, and petroleum properties added to the government's responsibilities, but efforts to redistribute land, subsidize low-income consumers, and raise living standards severely strained official financial planning and managerial capacities. Tax revenues and resource transfers from abroad proved inadequate, and by the mid-1970s, a serious gap between national savings and investment had developed. This resulted in large budget deficits and an increasing need to borrow abroad, particularly to finance government operations and investments. Unable to obtain sufficient loans at concessional terms, Peru resorted to heavy borrowing from commercial banks.

Although the Government of Peru attempted stabilization programs in 1976 and in 1977 to cope with inflation and its growing balance-of-payments difficulties, neither attempt was sustained long enough to improve the economy. During the first half of 1978, Peru experienced an extreme foreign exchange shortage and fell behind in paying its debts. In May 1978, after a period of indecision, the government implemented austerity measures, replaced key members of the economic team, and secured emergency financing. The government subsequently negotiated a \$300 million stand-by and compensatory finance loan from the International Monetary Fund and implemented an economic stabilization program consisting of credit restraint, cuts in government spending, and a flexible exchange rate policy. In the fall of 1978, the Peruvian Government negotiated nearly \$1.5 billion in debt relief for 1979-1980 debt maturities owed to both public and private creditors.

By the end of 1978, the Peruvian economic situation had improved significantly, the major gains being in the external sector, with the domestic economy remaining depressed. During the first half of 1979, the beginnings of economic recovery began to be seen, particularly in the export sector. The improvement in the balance of payments and the corresponding increase in net international reserves in 1979 far exceeded expectations, and the government waived the debt rescheduling which had been negotiated for 1980 maturities.

Economic growth in 1981 of 3.9 percent fell to 2.5 percent for the first half of 1982 and declined further during the balance of the year. For the period April 1982 to March 1983, the Government of Peru estimated the decline at 10 percent. Peru obtained some relief in June 1982 in the form of a \$916 million loan from the International Monetary Fund. The gross domestic product in the first half of 1983 dropped twelve percent from the level registered in the first half of 1982, due to the "El Nino" climatic disturbances and the negative impact of low international demand for Peru's exports and cuts in public sector investment. A 10 percent overall drop in production is projected for 1984.

B. SECTORIAL DEVELOPMENTS

1. FISHING INDUSTRY

Peru's 1982 maritime landings of fish rose by 27.3 percent from 1981 for a total of 452,580 metric tons. Landings for human consumption declined 31.2 percent, principally in frozen component, which declined by 53.7 percent in 1981. Landings for industrial use rose strongly by 54.9 percent; of this, the "other species" component showed the largest growth, 82.6 percent; and the anchovy component rose by 40.8 percent from 1981.

Fish exports rose 16.2 percent in 1982, providing an important source of export earnings for Peru. Pescaperu, the state fishmeal and marketing company, produced 428,275 metric tons of fishmeal—up from 346,000 metric tons from 1981. NOTE: While most of the above figures seem to indicate an upward trend in the performance of Peruvian fisheries, the phenomenon known as "El Nino" reduced the catch for 1984, and will affect the industry for years to come.

In the near term, prospects for sale of American fishing equipment are still good, but other countries, especially Japan, are pushing both technology transfer and commercial agreements with Peruvian organizations. These agreements could have a significant impact on the market in the mid-to-long term. Although several such agreements were concluded during 1982, the long term effects of new commercial relationships are not yet

defined.

Peru's fishing industry has varied considerably over the last 25 years. Until the early 1970s processing of anchovies set the industry's pace. The virtual disappearance of anchovies from Peruvian fishing grounds in the early 1970s caused major changes in GOP policies for other species which will affect the industry for many years.

Beginning in 1957, the abundance of anchovies off Peru's coast caused the fish-processing industry to develop rapidly—at least until 1970, when Peru had become the leading world producer of fish oil and fishmeal. For the next ten years, the anchovy take dropped dramatically from 12.3 million metric tons in 1970 to a low of 1.2 million metric tons in 1981.

With the cut in the anchovy take, the conditions for the biomass growth of other species increased. Thus, sardine, "saurel", and mackerel replaced anchovies in the manufacturing of fishmeal because such fishing could be done with a similar fleet and equipment. Subsequent over-exploitation of sardines caused limitations in the catch and reduced its use for fishmeal.

Much of the original fishing fleet has continued to be idle, and the current thinking of Peruvian fisheries authorities is to seek out unexploited fishing opportunities and to retrofit idle anchovy capacity to match catch with fleet processing capacity. In this regard, the GOP is seeking assistance from industrialized nations—notably Japan, the U.S., France and West Germany.

During 1982 and early 1983, several contracts were made between Japanese and Peruvian fishing companies and rumors of other "deals" with Russian and Bulgarian entities were carried by the local press. Although offering a different dimension to Peruvian fisheries, these business relationships did not have a significant impact during 1982. The "El Nino" phenomenon, however, nearly devastated the industry.

The phenomenon has been observed in Peru since 1795, but it was not until 1982 that fishermen from Paita (on the northern coast of Peru) began calling it "El Nino" (i.e., the child Jesus) because it usually arrives before Christmas. The 1982-1983 "El Nino" has already been called the most devastating in Peruvian history (the previous calamity of similar magnitude having occurred in 1925).

The principal program for detection and monitoring of the phenomenon is Operation Eureka, financed by PescaPeru (a dependency of the Ministry of Fisheries) and administered by Instituto del Mar del Peru (IMARPE). Twice a year for over 20 years, some 100 fishing boats have combed the ocean within 100 miles of shore, taking samples and measuring variations in temperature. As early as February 1982, abnormal temperatures were observed.

By September 1982, the water registered two degrees centigrade above normal and continued rising steadily until December 1982 when it leveled off at about seven degrees centigrade above normal. In May 1983, above-normal water temperatures were still being registered, resulting in heavy rains on the northern coast of Peru.

With the increasing temperature and changing movement of the normal cold, salty and slow Humbolt current, "El Nino" created massive shifts in the oceanic atmospheric system. The result has been a calamity of major proportions. The situation is so serious that the Government of Peru is organized a special reconstruction project team that will report directly to the Prime Minister to expedite action to deal with the disaster.

The Peruvian National Planning Institute (INP) is assessing the damage and estimates losses to the economy of more than \$900 million. The long-term effects of "El Nino" on Peruvian fisheries are still uncertain. IMARPE, has already submitted an evaluation of the effects on several species. Research continues, principally using IMARPE's "Humbolt" vessel, donated by the Federal Republic of Germany and currently operated with funds from the Ministry of Fisheries and the National Fisheries Society (a trade association representing most fish processors and canners in Peru).

a. PERU'S FISH CANNING INDUSTRY

During 1982, the Peruvian canning industry worked at 15 percent capacity because of high production costs, insufficient raw materials and low international prices. During the last half of 1982, plans were being drawn to liquidate half of Peru's fish processing plants, including 17 of PescaPeru's fishmeal plants. With a reduced fish catch in 1983 because of "El Nino", a large number of private factories were shut down. PescaPeru lost more than \$22 million in 1982 and is still affected by lack of raw materials.

Several companies are experiencing cash flow problems because of reduced export markets. The Ministry of Fisheries set up a commission to help arrange credit lines of up to \$30 million during 1982 but the credits were to be obtained abroad at a time when funds began to dry up, and the scheme did not get off the ground.

In 1982, PescaPeru continued to rank as the largest Peruvian fishing company. It is one of Peru's largest generators of foreign earnings, ranking ninth among the fifty most-important national firms; it is listed among the 350 largest enterprises in Latin America.

In 1982 PescaPeru employed 7,000 workers and owned 37 operating plants with a processing capacity of 3,805 metric tons per hour. During 1982, only 28 factories operated, processing up to 1,011 metric tons per hour.

Plans for streamlining operations in 1982 did not materialize. However, in May 1983, PescaPeru announced its intention to sell 20 of its factories to foreign investors, including China, the U.S., South Africa, Chile and Argentina. On June 2, new Fisheries Minister Quesada told the press that between 10 and 20 publicly-owned fishing firms would be sold to foreign investors. This effort to salvage PescaPeru and other firms from bankruptcy seems unlikely to succeed.

b. CHANGES IN THE INDUSTRY

Plagued with a multitude of problems ranging from low export prices to natural calamities, Peruvian fishing industrialists hope to take the industry in new directions: three local companies are moving into big-eye tuna fishing; a boat is being equipped for the capture of squid, using technology from Japan and Concentrados Marinos Bayovar (a project partially funded by U.S. Overseas Private Investment Corporation—OPIC) is gearing up to produce fish protein isolates.

During early 1982, the GOP modified its licensing scheme for the operation of foreign tuna vessels. Both old and new regulations seem to make legal fishing of tuna in Peruvian waters prohibitive because of the high cost of the licenses and fines associated with violations. Nevertheless, the new regulations offer a mechanism which permits foreign vessels to avoid the licensing system by contracting with Peruvian companies to off-load 20 percent of their catch for processing in Peru.

Peruvian researchers estimate a world need for 186,500 tons of fish-derived protein per year. If enough raw fish could be allocated, the country's demand for pure protein would be met. Concentrados Marinos Bayovar (CMB) was organized to meet this need.

The company, which began with a pilot plant in 1979, plans to sell its products to the United Kingdom, France, Germany, Denmark, Switzerland, Canada, and the U.S. The company is working with the Ministry of Health in the development of a new type of baby food and flour mills for the use of the protein isolates in wheat flour for consumption in the local market.

c. IMPACT OF FISHING SECTOR ON THE PERUVIAN ECONOMY

Exports of fisheries products rose by 16.2 percent in 1982, reaching \$291,368,000 U.S. dollars. Fishing remained at about one percent of GDP, but it represents an important source of foreign exchange earnings. In 1982, it was second only to textiles in terms of non-traditional exports.

The disastrous impact of "El Nino" on the industry cannot be fully quantified currently; however, it vastly increases the

problems facing the industry. These include:

- (1) Sluggish economic situation of traditional importers of Peruvian fish products.
- (2) Saturation of some overseas markets.
- (3) Increased processing and export of sardine by South Africa.
- (4) Marketing difficulties in adjusting to U.S. Generalized System of Preferences (GSP) requirements.

The current weather problems have thrown off balance Peru's policy of conservation of scarce resources and exploitation of under-utilized species. This policy resulted in increasing the available supply of under-exploited species of fish to canners, but "El Nino" has drastically reduced the availability. The Peruvian Government treats fisheries in a different way than other resources. Since fisheries resources are renewable, the policy is to both feed and generate income to today's citizens but simultaneously to preserve the resources. Accordingly, during 1981 and 1982, the Ministry of Fisheries issued intermittent bans on fishing of various species and limits on fishing zones for other species.

Because of the "El Nino", phenomenon, IMARPE doesn't know what species are available and in what quantities, and cannot properly advise on a conservation policy. Research continues and the fisheries industry hopes the current uncertainty will diminish in the short run. In the long run, the prospects are brighter.

d. IMPLICATIONS OF RECENT DEVELOPMENTS FOR U.S. EXPORTERS

Although this uncertainty causes concern, opportunities still exist for U.S. exporters. Industry leaders believe the demand for imported fishing equipment and machinery could grow rapidly after the effects of "El Nino" taper off. The Peruvian government has reaffirmed its policy of import liberalization and there are many idle fishing boats which could be refitted with modern U.S. equipment to take advantage of unexploited species. U.S. equipment is considered desirable and opportunities should open up again for radio navigational equipment and radar, radio remote control systems, fish-finders and related electronic equipment. If the demand expands in the next few years, there will be new opportunities for thermal regulators and other refrigeration equipment.

The agreements reached in December 1982 by the Ministry of Fisheries and three local companies—Bahia, Piscis and Mochica—to lease Russian and Polish factory trawlers has developed into expanded business relationships. The Japanese took early advantage of Peruvian regulations allowing foreign vessels to operate in Peruvian waters under the special license provisions. The pace of their technology-

transfer schemes has been slow and except for squid, technology cooperation agreements have not fully developed.

e. WHO'S WHO IN PERU'S FISHING INDUSTRY

(1) Ministry of Fisheries

Address: Av Javier Prado Este 2425
San Borja
Lima - Peru
Phone: 35-7497/ 36-1695/ 36-5171

Minister - Fortunato Quesada Lagarrigue
Vice Minister - Jorge Vertiz Calderon
General Director for Extraction - Ulises Munaylla Alarcon

(2) Instituto Del Mar Del Peru

Address: Esquina Gral. Gamara Y Gra. Valle s/n
Chucuito - Callao
Phone: 29-7630/ 29-3931/ 29-9811

President - Vice Almirante AP Daniel Masias Abidia
Executive Director - Dr. Jose Vera Rivas Plata

2. INDUSTRY

Industry is heavily concentrated in the vicinity of Lima. The Government has experienced only limited success in its efforts to encourage regional dispersal of manufacturing. Industries such as cement, fishmeal and metal are located close to their raw material sources and have been able to disperse. During the 1980s industry has remained concentrated in consumer goods. The most growth has been in electrical appliances, cars, and other consumer durables.

A major constraint to industrial development has been the small size of the domestic market. Much of modern industry is based on economic scale, requiring sizable markets for efficient production runs. The Peruvian domestic market not only was limited by the size of the population, but also was further constricted by the difficulty and costs of transport, the extremely low income of many, and the large segment of the population engaged in subsistence agriculture. A partial consequence was that in several lines of manufacturing, one or two firms dominated the market.

Government policy has at various times attempted to stimulate industrialization, largely through protection from competing imports. High protection tariffs, quantitative control of imports and generous financial incentives, such as tax holidays, accelerated depreciation, and reduction or exemption of import duties on machinery, and imports were the main policy measures. In some instances, the Government provided equity capital to new ventures. The policy measures primarily attracted industries producing import substitutes. Little has been

done to promote industrial exports.

Criticism of the industrial sector are still valid. Manufacturing is still inefficient, disjointed, highly protected, and largely incapable of competing in international markets. Recent modification of policies, such as abandonment of a fixed exchange rate, revision of industrial community laws, and encouragement of foreign investment are a start toward streamlining industry.

The years 1983 and 1984 were difficult years for Peru. In addition to a combination of natural disasters resulting from the "El Nino" weather phenomenon, the country had to contend with shortage of electrical power resulting from terrorist acts and with low prices for most of its exports.

3. MINING

The mining sector, contributing almost 10 percent of the country's gross domestic product, and 54 percent of the country's export earnings, is a major element in Peru's economy. Its performance has a direct impact on the overall economy. The five most important metals produced in Peru are: copper, silver, zinc, lead and iron. Copper and silver worth \$431 million and \$393 million, respectively, were in second and third places among Peruvian export commodities. Prices of lead, zinc and iron ore continued to be depressed, while the average price of lead went down over 22 percent, off-setting part of the increased national revenues from silver.

INGEMMET (The mining engineer's institute) is about to sign new technical cooperation agreements with Finland, Italy and the Soviet Union, in addition to those in force with England, Japan, Germany, France and Spain. Strikes in the mining sector increased considerably in 1983 resulting in over eight million man-hours and \$96 million in production value lost to producers and \$3.3 million in taxes lost to the government. The only major legislation passed during the year was a 5-10 percent tax on exports and domestic sales of traditional metals when export prices exceed given reference values, implemented January 1, 1984.

a. MINERAL PRODUCTION

The mining sector, which contributed nearly 10 percent of Peru's gross domestic product in 1983, may best be described by size of the company. The large-firm group presently includes four companies, of which three are: State-owned—MineroPeru, Centromin and Hierro Peru—and one private—Southern Peru Copper Corporation (SPCC). MineroPeru operates the Cerro Verde copper mine, the Ilo copper refinery and the Cajamarquilla zinc refinery, and participates with other State-owned companies in development of the Tintaya copper deposit. In addition, it owns a large number of undeveloped deposits.

Centromin operates six mining units and the Oroya metallurgical center, one of the most complex in the world, capable of recovering almost all metals now produced in Peru. SPOC operates the Toquepala and Cuajone copper mines and a smelter at Ilo.

The medium sector groups about 37 companies producing copper, silver, lead, zinc, tungsten and tin and a great variety of by-products. The small sector includes mines producing under 350 metric tons (mt) per day of ore for metallic products and 500 mt/day for non-metallics, with less than 5,000 hectares of claims. The number of small miners has been decreasing gradually from some 10,000 in the 1960s to reportedly less than 1,000 at the present time. There are also several thousand gold panners operating throughout the country, mainly in the southeastern jungle region.

Peru produces 16 different metals and 20 non-metallic products. In the non-metallics, Peru produces mainly limestone, barite, dolomite, fedlspar, silica sands, mica, clays, kaolin, marble and anthracite coal.

Silver is generally found with lead and zinc in polymetallic mines. Toquepala, Cuajone, Cerro Verde and Centromin's mines accounted for about 90 percent of the copper produced in Peru. Hierro Peru is the only iron producer in the country. In 1983 the small and medium sectors contributed the following percentages of total national production: copper-10; lead-63; zinc-60; and silver-67.

Preliminary production figures supplied by the Ministry of Energy and Mines indicate a decline of nearly 10 percent in copper, due to southern Peru's labor problems, and a dramatic 27 percent decline in iron ore production during 1983, due to low demand for steel as a result of recession. Lead, zinc and silver production increased from the 1982 level, as shown below:

PRODUCTION OF PRINCIPAL MINERAL COMMODITIES 1982-1983
(In fine metric tons, unless otherwise specified)

<u>Product</u>	<u>1982</u>	<u>1983</u>	<u>Percentage Difference</u>
Silver (fine oz.)	51,251,904	55,564,218	+ 8.4
Iron Ore (dmt)	5,796,300	4,208,000	-27.4
Zinc	507,111	553,070	+ 9.0
Copper	356,632	322,169	- 9.7
Lead	175,771	205,582	+17.0

Total value of all Peruvian exports decreased in 1983 due mainly to lower prices but in some products also due to lower volume. Preliminary figures provided by the Central Reserve Bank indicate that the value of mineral exports increased by 17.6 percent, from \$1,359 million in 1982 to \$1,598 million in 1983, contributing about 54 percent to the country's total export earnings, compared to 41 percent in 1982. Copper earnings continued in first place among mineral export commodities, followed by silver which experienced a dramatic 92 percent increase due to higher volume and value. Lead and zinc placed third and fourth.

Gold production in 1983 increased by about five percent, from 157,667 ounces in 1982 to 165,576 ounces in 1983.

Weak demand for copper, lead, zinc and iron ore have made exploration unattractive in the last several years. However, precious metals, particularly gold, remain a prime target for exploration programs of both local and foreign companies. In Peru the gold boom began in 1978 in the southeastern jungle region (Madre de Dios) when the Peruvian Government issued Decree-Law No. 22178 and its complementary Regulatory Law fostering the exploitation of gold deposits in the country. The initial interest in the search for this metal spread to river banks in the north coast and jungle areas, and at present several thousand people dedicate themselves to gold panning after each rainy season. However, the southeastern jungle, especially the Madre de Dios area, continues to be the center of gold placer activities (over 50 percent of the alluvial gold output) in Peru. Several groups and a few thousand private gold panners operate in the area, mostly in artisan mining. However, two groups, AUSORA and SAPI S.A., are carrying out more technical exploration work with encouraging results. AUSORA owns approximately 16 concessions totaling more than 15,000 hectares in the Huaypete and Pequibe region and controls a group of companies owning over 36,000 hectares in the same region.

b. LABOR

Labor unrest in the mining sector increased considerably in 1983 adding to the country's economic burdens. The 68 strikes which took place during the year caused a loss of 8.2 million man-hours against 2.9 million in 1982. As a result, workers' uncollected wages amounted to 7,333 million soles (about \$4.5 million), against 1,429 million soles (about \$2 million) in 1982, an increase of 413 percent. However, the Government lost about \$3.3 million in uncollected taxes and \$96 million in production value. The most serious strikes affected the large mining sector--Southern Peru Copper Corporation and Centromin Peru. Toquepala and Cuacone, the largest copper producers, experienced the longest strikes lasting 65 and 42 days respectively, during which SPOC lost production of about \$42 million per day. Centromin workers, on the other hand, were on strike

for 20 days during the year, causing a daily loss of about \$26 million. Some 70,000 white and blue-collar workers are directly employed in the mining industry.

c. LEGISLATION

On December 30, 1983, the Government imposed a 5-10 percent tax, which became effective, January 1, 1984, on all exports and domestic sales of traditional metals when export prices meet or exceed given reference values.

Payment of the tax will be automatically suspended when companies paying income tax on a monthly basis show three consecutive monthly balance sheets with a net profit under 2.5 percent of the FOB value of sales after payment of the income tax, until this condition has been corrected. The tax amount paid during 1983 will be credited against the 1984 income tax.

d. FORECAST

Serious economic and social problems have continued to affect Peru in 1984. With elections scheduled for March 1985, politics are having a significant effect on Government decisions (labor unrest has increased as labor organizations key for popular and electoral support).

The Ministry of Energy and Mines (Mineral Production Division) has estimated the following production levels for 1984: copper up 20 percent to 385,700 mt; lead up five percent to 216,000 mt; zinc up 10 percent to 610 mt, and silver down four percent to 53.5 million ounces—although some silver producers believe that a moderate increase will occur. With copper and lead prices still depressed, the Peruvian mining results will have to rely more on zinc and silver, for which prices improved in 1983. Peruvian authorities hope that Peru will continue to remain the top world silver producer. Recent discoveries of important zinc deposits like Hilarion (Milpo) and Iscaycurz (Ingemmet/JICA) will increase Peru's zinc potential considerably. Most companies in the medium sector have established severe austerity programs to improve productivity and reduce operating costs.

Peru has an enormous undiscovered mineral potential, since roughly only 10 percent of its territory has been explored. There are, however, aerial and LANDSAT surveys of almost 60 percent of Peruvian territory. Only about three percent of total finds are being developed.

C. NATIONAL PRODUCTION

Peru is endowed with abundant natural resources and some very

productive agricultural land that should facilitate economic development, but programs have been slower than planned. The Peruvian economy has declined somewhat during the last few years but showed some growth in 1983. Under the new civilian government, economic growth was expected to increase and a favorable balance of payments was expected.

Agriculture contributes less than 13 percent of the GDP even though it employs more than 40 percent of the labor force. Agriculture products account for more than 25 percent of all exports as well as supplying the major raw materials for a significant part of local industry. Thus, conditions in agriculture affected a far greater proportion of the population than its share of GDP would suggest.

D. INTERNATIONAL TRADE

The negative impact on local industry of this administration's highly-touted "apertura" (opening of the economy to foreign imports) is more polemical than real. The GOP (Government of Peru) dropped many of the barriers to importing that existed during the military regimes, including licensing and foreign exchange controls. But its record with regard to average tariff levels is mixed; the weighted average tariff was reduced and the overall dispersion cut in 1980-1981, only to be raised again in 1982 through the impositions of a 10 percent ad-valorem surcharge. Since fewer luxury items (which generate the highest tariff income) were imported this year, the current estimate of tariff revenue as a function of total imports is only 30.4 percent, down two percent and three percent from the revenue levels of 1981 and 1982, respectively.

The current recession hit Peru just as new export-related investments came on line. So the drop in export demand internationally cut export proceeds just as expensive dollar debts came due for repayment. Many Peruvian industries—especially the modern textile industry—also were the victims of quotas in some markets or duties in others to countervail domestic subsidies, limiting the growth of their trade with the essential markets both in the OECD countries and in other developing nations.

As a result, there are strong demands that the GOP help these and other industries to survive hard times by artificially protecting at least their domestic markets. There exist in this country strong protectionist tendencies, inbred since the earlier military regimes' advocacy of development based on import substitution. Nonetheless, the GOP appears to be able to resist politically the rising call for additional protectionism on the home front to counter real—and imagined—protectionism abroad.

E. FISCAL SITUATION

1. GENERAL

Real liquidity (adjusted for seasonality) in the overall financial system dropped by a staggering 17.5 percent in the first eight months of 1983, to the equivalent of \$3.25 billion. A large proportion of this drop came through declines in passbook savings accounts, possibly a reflection of declines in disposable income. This overall drop was in sharp contrast to the slight increases registered in 1981 (3 percent) and 1982 (2.7 percent). The relative share of foreign exchange (primarily U.S. dollars) in the domestic money supply grew in 1983 to 46.4 percent, up over 10 percent from 1982's share; as recently as 1978, foreign exchange constituted only 14.1 percent of total domestic liquidity.

Total credit available in the financial system is about \$4.2 billion, with approximately 40 percent of this credit in foreign exchange (again, primarily U.S. dollars). Overall credit fell about 12 percent from 1982 to 1983, with all of the decline absorbed in sol-denominated debt.

The cost of credit has increased lately. All dollar loans are made with rates based on LIBOR, with substantial commissions pushing the effective cost of dollar loans up to the range of 130 percent per annum. The BCR raised the cost of sol-denominated funds through the announcement of higher interest on deposits, now at an historic high—though still less than real—level. The higher cost of funds led to commensurately higher charges for loans in soles.

In Peru's relatively open economy, the direction of causality in monetary and credit policies lead to changes in demand for imported goods and foreign assets on the one hand, and changes in domestic production costs on the other. Therefore, a real increase in the level of credit creation with the real exchange rate unchanged would simultaneously increase imports and capital outflows and decrease exports. To the extent that monetary authorities are willing to tolerate the resulting losses in reserves or can borrow externally, the immediate effect of expanded credit may be relatively small on domestic price levels.

In the mid-1982, the level of reserve losses became intolerable. The monetary authorities responded by steeply accelerating the depreciation of the sol, while sharply reducing the rate of domestic credit creation measured in real terms. The result has been sharply higher measured inflation and declining real internal demand. Essentially, changes in the consumer price index in 1983 reflect the hidden inflation generated in 1981 and 1982.

2. PRICES

Despite the extremely restrictive monetary policy described above, inflation in 1983 reached levels never before seen in Peru. During October 1983/October 1982, the consumer price index for metropolitan Lima rose by 124.7 percent.

The Belaunde administration has great difficulties in balancing expenditures with revenues. In 1981 and 1982, the public sector as a whole (that is, the Central Government and State firms combined) ran a deficit of over eight percent of GDP. In 1983, the Central Government ran its first negative current account balance since 1978, due primarily to a substantial short-fall in budget revenues—a result of lower international trade, the drop in domestic economic activity, and the impact of natural disasters. Current expenditures were cut where possible in 1982. In 1983, further austerity measures were put into place, with public sector wages taking the brunt of the reductions. Capital investment also was cut sharply from the historically high levels of 1982. In fact, Central Government expenditures as a whole fell about 10 percent in 1982; revenues, though, fell by over 25 percent.

F. BALANCE OF PAYMENTS

BALANCE OF PAYMENTS (in US\$ millions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Exports FOB	3676	3916	3249	3230	2953
—Minerals	(1504)	(1755)	(1420)	(1210)	(1599)
—Petroleum & derivatives	(652)	(792)	(689)	(715)	(555)
—"non-traditional" exports	(810)	(845)	(701)	(759)	(550)
Imports FOB	-1954	-3090	-3802	-3787	-2825
—principal food-stuffs	(-231)	(-411)	(-489)	(-359)	(-476)
—other consumer goods	(-99)	(-243)	(-388)	(-402)	(-275)
—industrial inputs	(-730)	(-905)	(-1102)	(-1024)	(-749)
—capital goods	(-625)	(-1087)	(-1454)	(-1472)	(-993)
Trade Balance	1722	826	-553	-557	128
Net Interest Payments	-931	-909	-1019	-1054	-1046

BALANCE OF PAYMENTS Continued...
(in US\$ millions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Current Account Balance	953	-101	-1659	-1647	-1102
Direct Investment	71	27	125	59	31
Net Loans to Public Sector	617	371	388	1048	1290
Net Loans to Private Sector	-32	64	135	157	-53
Net Basic Balance	1609	361	-1011	-383	166
Short-term capital and errors	-30	361	507	515	-433
Change in Reserves	1579	722	-504	132	-277

Resoultion of Peru's perennial balance of payments problems continues as this administration's highest priority. The limitations of previous years have not been resolved: prices for Peru's traditional mineral exports remain poor; restricted entry to foreign markets limit the growth of Peru's non-traditional exports; interest costs still run at high real rates; and new foreign investment remains elusive. And with 1984 have come difficulties in contracting new long-term loans while maintaining existent short-term lines in international financial markets, both a result of the overall Latin American debt crisis.

Peru's external position is sensitive to shocks, which might occur should the GOP be unable to come to a new agreement with the IMF soon. The GOP admits that it cannot comply completely with the 1983 fiscal performance provisions of the agreement signed in June. They point to force majeure, citing the disastrous impact of the "El Nino" phenomenon and the persistent unresponsiveness of international prices.

G. FOREIGN DEBT

FOREIGN DEBT PROFILE (in US\$ billions)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Long-term Debt	7.9	8.1	8.2	9.6	10.9
—Public Sector	6.6	6.8	6.7	7.8	9.3
—Private Sector	1.3	1.4	1.5	1.7	1.6
Short-term Debt	1.4	1.4	1.5	1.9	1.4
Total External Debt	9.3	9.6	9.6	11.5	12.3

Debt Service on					
Public LT Debt	0.8	1.3	1.7	1.4	0.9
—amortization	0.4	0.8	1.2	0.9	0.3
—interest	0.4	0.5	0.5	0.5	0.6

Service on Public LT					
Debt as Function of					
Exports (percentage)	0.22	0.34	0.54	0.43	0.31

H. UNEMPLOYMENT AND WAGES

President Belaunde campaigned in 1980 on a promise to provide an additional million jobs during his term. His efforts toward this goal met with limited success: with the exception of the services industries, official indicators of levels of formal employment have shown a steady downward trend. Official estimates of absolute unemployment increased from 6.8 percent of those seeking work in 1981 to 8.3 percent in 1983; unemployment increased over the same period from 46 percent to 51 percent. Thus, the percentage of those available to work who were officially counted as fully employed fell by over six percent over the last two years.

Although substantiating statistics are scarce, it is believed that many of the unemployed and underemployed were absorbed into Peru's thriving "informal" sector outside the reach of government regulation, taxation and (presumably) statistics. According to recent studies, this sector's existence reflects an expression of true entrepreneurial spirit by underground capitalists in an economy otherwise burdened by excessive governmental interference—but who likewise try to avoid taxes and regulations regarding

social benefits for their workers.

The GOP acknowledges that the formal sector is unduly constrained by Peruvian labor laws discouraging creation of new employment—through a labor stability law that practically prohibits firings and payroll tax and encourages the use of capital over labor. The GOP seeks to eliminate these encumbrances—if and when it becomes politically feasible to do so.

Estimates provided by the governmental statistical services are reliable enough to provide an historic indication of the magnitude of changes in wage levels. Unemployment and underemployment are increasing the supply of available labor sufficiently to cause the decline in real earnings. One of the GOP's salient accomplishments: the limiting of its own wage bill, with the resultant positive impact on the public sector deficit.

I. OUTLOOK AND INVESTMENT OPPORTUNITIES

Some people in Peru think 1985 will be worse than 1984, reflecting their continued frustration with low demand at home and overseas, as well as a concern for social tensions caused by the decline in average income in 1984. While difficult problems continue to confront Peru, there are certain opportunities even in this depressed economy which should not be overlooked. The passing of the "El Nino" phenomenon means that at least three sectors should have it better in 1984/1985: agriculture, fishing and mining.

Considerable new resources from international development agencies will be available to the agricultural sector this year. Yet, there remain structural constraints within the sector which limit its ability to absorb additional credit. Nonetheless, these credit resources, as well as reduced duties on agricultural equipment not produced in Peru, should lead to increased imports for the sector.

The fishing industry is in need of modernization, although it has been severely weakened by several bad years. The opportunities here may be a little longer in coming, but suppliers should stay informed.

A recent survey of the mining sector contracted by the U.S. Foreign Commercial Service predicts a 55 percent increase in imports of mining machinery and equipment during 1984. This increase will not bring imports back to 1982 levels, but it would be a hopeful sign for the economy in general, since it would signal that increases in national production are not far behind.

The GOP's latest economic plan, announced May 14, 1984, by

Prime Minister Sandro Mariategui, places a high priority on the stimulation of domestic industry. The specific measures adopted to achieve this end are not yet known, but they may include additional selective controls on imports, promotion of non-traditional exports, and the programming of development and reconstruction resources to favor projects that are labor-intensive and/or can be completed quickly.

Given the current low levels of demand, the consequent underutilization of capacity and the campaign leading up to a national election early in 1985, we do not anticipate significant new private investments during the remainder of 1984. Aside from ongoing major projects and a few new ones, Peru's market will probably continue to be one for replacement and repair until the longer-term economic and political directions become clearer.

As indicated earlier, Peru has substantial financial problems at both the macro and the micro-economic levels. There probably will not be major new extensions of commercial credit to the public sector beyond those already included in the agreement with private banks. There are a number of government-to-government lines of credit available to the GOP, and these will probably receive additional use where possible. These lines unfortunately will favor our competitors. Disbursements in projects by development banks will be available on a broader basis than in recent months due to a partial resolution of the counterpart funding problem which previously existed.

At the micro-level, the private sector is already struggling with high debt levels, and Peruvian banks have been reluctant to broaden their exposure except in highly selective cases. Since the rapid devaluation of the sol makes taking on additional debt in dollars highly risky, many companies may not be good candidates for export credit extensions by U.S. suppliers.

These financial considerations lead to the conclusion that the least risky sales opportunities in Peru during 1984 are those with funding by the development agencies: USAID, the World Bank and the InterAmerican Development Bank. USAID has two program funds—PRIDA and FREI—which are directed at agricultural and agroindustrial development. These are relatively low interest loan funds which U.S. suppliers ought to encourage their representatives to use. About \$20 million is available for use between the two funds. A new loan by USAID will generate \$45 million in local currency to be managed by the Industrial Bank to help local industry meet its credit needs, to the extent they are credit-worthy. Since USAID is a development organization, we suggest that requests for further information on these programs be directed to the U.S. Foreign Commercial Service at the American Embassy in Lima, which will assist U.S. exporters and their representatives.

As money has become more expensive and harder to obtain, many Peruvian importers have sought to reduce their expenses by reducing inventory levels. This is a reasonable move, since the inventoried item includes cost, freight and customs expenses, which together represent a significant investment in an illiquid economy. Many times, new business relationships are formed on an agency basis with the local representative holding no stock and operating on a direct order-basis. Even in lines which require rapid spare parts availability, well-established businesses depend on brokers in the U.S. who can deliver quickly as an alternative to large in-country stocks.

This means that the values of the orders coming out of Peru have declined in many cases over the last two years. U.S. suppliers are encouraged to continue to accept and process these orders as expeditiously as possible. While request for credit extensions will continue to be difficult for U.S. suppliers, competitive conditions require that the U.S. supplier be as forthcoming as possible.

The Peruvian economy will experience positive growth in 1985. Business activity should continue to pick up in the remainder of 1984. U.S. suppliers are uniquely well-situated to serve the Peruvian market. By adopting the long-term view now, the U.S. should enjoy a proportionately large share of the expected growth.

IN-COUNTRY • SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 9
FOOD AND
AGRICULTURE

<i>Resource Category</i>	<i>Estimate of Availability Status</i>
HISTORICAL PERSPECTIVES	<p>Twenty-four percent of Peru's land is classified as agricultural. Thirty-nine percent of the labor force works in agriculture and 14 percent of the Gross Domestic Product and 26.8 percent of the export earnings come from agriculture.</p> <p>The major food crops are corn, rice, barley and wheat. Major cash crops are sugar cane, cotton, coffee, tea, cacao and tobacco.</p> <p>Peru ranks second to Brazil in forest resources.</p> <p>Peru is the sixth largest fishing nation in the world.</p> <p>Peru has inadequate credit for agricultural borrowing. Most farmers look to either informal sources or to the Banco Agrario for credit.</p> <p>Retail food prices for selected items controlled by government. Import duties are imposed on several agricultural products. A policy of trade liberalizations has contributed to the current negative trade balance.</p> <p>By 1977 the Peruvian military government had redistributed nearly 10 million hectares to 400,000 peasants. One result of Agrarian reform was the establishment of "cooperatives". A problem with the cooperatives is the lack of administrative and managerial talent.</p> <p>Lack of technology hampers increased productivity and marketing practices. The redistribution of land to peasants limits the resources needed to mechanize. Aside from the Peruvian policies, the most important single deterrent to accelerate agriculture development is the distribution, management and use of water.</p>
GENERAL	
AGRICULTURE CREDIT	
GOVERNMENTAL ACTIVITIES	
AGRARIAN REFORM	
TECHNOLOGY	

IN-COUNTRY RESOURCE ANALYSIS

SUMMARY MATRIX

CHAPTER 9
FOOD AND
AGRICULTURE

Resource Category	Estimate of Availability Status
MARKETING	Peru has a myriad of marketing problems most of them reflecting either a lack of organization of the market participants, or a lack of competition within the system.
CROPS	Principal crops are sugar, coffee, fruits and vegetables, cocoa, cotton and tobacco.
LIVESTOCK	Livestock is concentrated in the sierra. Beef production is still suffering from the sell-off due to the 1978-1980 drought. Milk production is on the increase but national consumption is down due to reduced consumer purchasing power. Poultry prices have been lower causing an increase in consumption.
FORESTRY	Approximately 70 million hectares in eastern Peru with large stands of hardwood. Major problems are transportation to market this timber.
FISHERIES	Controlled by the state corporation, PescaPeru. Has 5,600 vessels employing over 28,000 persons.

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TAB 7A

CHAPTER 9

FOOD AND AGRICULTURE

A. HISTORICAL PERSPECTIVES

Of the total land area of 128,521,500 hectares, 24 percent is classified as agricultural land, or two hectares (five acres) per capita. Agriculture employs 39 percent of the labor force, and Peru ranks 47th in the world in agriculture manpower. Agriculture contributes 14 percent of the Gross Domestic Product (GNP) and 26.8 percent of the export earnings.

Only 2.18 million hectares, or two percent of the total land area, is under actual cultivation. The major portion of coastal farmland is devoted to export crops, and the sierra (mountain) and selva (jungle) farms are devoted to food crops. Cultivation in the costa (coastal) region is limited to the river valleys and irrigated areas because of the almost complete absence of rainfall. In the sierra the rugged terrain limits the availability of usable land to the broad intermountain valleys where cereals and tubers are grown utilizing both rainfall and irrigation. Land use in the selva is determined largely by the availability of transportation.

Before the agrarian reforms instituted by the military regime in 1969, Peru led the world in the Gini index of disparities in land ownership. In 1969 over 503,000 of the farms operated by small holders covered a total land area of 859,000 hectares, or slightly more than 1.6 hectares each. At the other end of the scale, 6,177 large holders owned 10,034,941 hectares, with the largest landowner controlling 485,640 hectares. The 1,000 largest landowners held about 60 percent of the total arable land in the country, and foreign groups held another ten percent. In addition, there were about 1.2 million landless peasants. Of these, 852,000 were in the sierra. The Indian communities practiced a communal landholding system that exacerbated these inequalities. Within this system there were three types of tenancy: cash rental, standing rental and sharecropping. Under the standing rental, the tenant paid a specific amount of the principal crop, while under sharecropping, he paid a specified proportion of the crop.

The Agrarian Reform Law, Decree Law No. 17716 of 1969, is perhaps one of the most revolutionary and successful agrarian reforms undertaken in Latin America. By the time this program was concluded in 1977, it covered all of Peru except for the jungle on the eastern Andes. The maximum individual holding in the costa was fixed at 150 hectares; if the owner gave 10 percent of profits to his employees the ceiling was raised to 200 hec-

tares. In the sierra the maximum holding was to range from 15 to 55 hectares of irrigated land and double that amount of unirrigated land. The maximum holding for pasture and forestland was fixed at 1,500 hectares. All lands in excess of these limits were expropriated except for efficiently run estates and plantations. However, the expropriated lands were not redistributed in small individual parcels but instead were reorganized into cooperatives known as Social-Interest Agriculture Societies. The law also permitted no farming unit smaller than three hectares, imposed rent controls for tenants not exceeding ten percent of the gross income from the land and abolished the exchange of personal services for the use of land. To enforce the reforms, the government created the Direccion General de Reforma Agraria y Asentamiento Rural. Agrarian reform courts were also established, and their decisions were made non-appealable. Any person who attempted to thwart the law was to be tried for sabotage by military tribunals. By 1974, 4.5 million hectares had been redistributed among 800 large units, including 630 cooperatives, 130 agricultural communities and 46 social-interest agricultural societies. By 1977 nearly ten million hectares had been redistributed to 400,000 peasants.

Agricultural techniques and tools have changed little since Inca times. On both small holdings and large estates, the standard implement is the ox-drawn plow. On hillsides, where plowing is not feasible, the digging stick is used. Mechanization is being officially promoted, and by 1980 there were over 15,000 tractors in use. Erosion, insufficient drainage and depletion of natural fertility through inadequate conservation policies are serious problems. In many areas crop rotation and fallowing are the only conservation methods used.

B. GENERAL

The major food crops are corn, rice, barley and wheat. The major cash crops are sugarcane, cotton, coffee, tea, cacao and tobacco. Peru's primary agricultural export earners are coffee and cotton, accounting for 42 percent and 25 percent of Peru's total agricultural export revenues respectively. Coffee exports are controlled by the export quotas of the International Coffee Organization.

The agricultural trade pattern, distorted by the three year drought (1979-1981), is nearly back to normal. There has been a dramatic increase in the amount of soybean meal imported.

Overall, the livestock sector is still depressed. Beef and dairy production are down significantly. High domestic production costs, and competition from imported meat and dairy products are the primary causes. Poultry, however, is a bright spot in the livestock sector. Production in the last four years has increased from 84,000 metric tons to over 150,000 metric tons.

Peru ranks second to Brazil in South America in forest resources. Forests cover nearly two-thirds of the national territory, mostly the rain forest of eastern Peru. The only trees of commercial importance in the costa are the amarillo, hualtaco and algarroba.

Peru is the second largest fishing nation in the world, after Japan, with an annual catch estimated at 2.5 million tons. More than 50 species of fish are caught commercially. The cold Humboldt current contains an abundance of fish food in the form of plant and marine life, making the offshore waters one of the richest fishing grounds in the world. The mainstay of the industry is the anchovy, which is processed into fishmeal.

C. AGRICULTURE CREDIT

The capital market in Peru is not operating in a fashion that provides adequately for the financing of agriculture (farm production, marketing, processing). Most funds are made available to the commercial (non-agricultural) market which has (1) fewer constraints in lending conditions, and (2) a greater potential, at the moment, for repayment on its loans.

Interest rates are also a major problem. Though they seem terribly high to farm borrowers, dollar denominated rates of interest for agriculture are actually below international money rates and sol denominated loans to agriculture are typically below the rate of inflation. The amount of credit presently available is insufficient to meet farm needs, particularly if farmers respond to the new free market strategy by intensifying their use of agricultural chemicals, fertilizers, etc. Monetary policy impacts directly on the availability of savings which can be channeled to the agricultural sector. A policy of increasing the cost of money to reflect its relative scarcity would encourage better use of available resources, promote savings and increase the availability of credit to producers now outside the reach of institutional lenders.

The terms and conditions—legal and procedural—surrounding the agricultural credit delivery system in Peru are such that there is no one institution that can meet the anticipated financial needs of the borrower, be he a farmer, cooperative, or agro-industrialist. In some areas institutional lenders provide only a limited share of total financing to the farm sector. Informal lenders (truckers and wholesalers) supply the bulk of funds utilized in the production and marketing of fruits and vegetables in Peru.

Problems of inadequate credit are related to:

- 1) Supply of money.

- 2) Understanding and communication between lenders and borrowers.
- 3) Speed with which loan applications are processed for matching of loan advances to the actual use or need.
- 4) Extent of paper work and documentation required.
- 5) Proximity of lender to borrower.
- 6) Somewhat arbitrary standards set by lenders for financing.
- 7) Failure to increase loan size commensurate with inflation in input costs.
- 8) Better lending opportunities elsewhere in the economy.
- 9) Perception by lenders that agriculture is a high risk enterprise.
- 10) Fractured nature of the financial system in Peru which creates limitations on services each of the financing entities can provide.
- 11) Institutional restrictions placed on certain of the financing agencies.

The existing farm credit system appears to have been designed to meet the needs of servicing a relatively unsophisticated group of borrowers. While there are many borrowers who do require close supervision, supervised credit should not be applied universally. There are many credit-worthy small and medium size farmers.

Most farmers must look either to informal sources for their credit needs or to the Banco Agrario. Credit to agroindustry is available much more readily from a number of sources.

Commercial banks, including regional banks, rarely lend to farmers because they cannot compete with the interest subsidies of Banco Agrario, and because of the high risk nature of Peru's production agriculture, better alternatives for lending elsewhere, and constraints surrounding the pledging of collateral. Commercial bank direct lending that is done on short term. "Financieras" loan for longer terms but are unable to loan for short terms. Banco Agrario, the only institutional lender dealing exclusively with farmers, does loan for short, medium and long term needs. It has, however, no competition except from informal sources.

Groups of farmers in various communities have expressed a strong desire to organize their own financial intermediaries. They are willing to capitalize these financing entities and will do so providing they have autonomy to service financial needs of farmers in the area.

To encourage the participation of more financial entities in agricultural financing, the following actions should be considered:

1) Liberalize banking laws so that every financing institution has the right to provide financial services to farmers and agroindustry. This should involve short, medium and long term loans for production; equipment purchases or leases; land purchase and/or development; commodity loans; herd and flock expansion loans; loans to permit stockpiling of feed bought at advantageous prices; off-farm investment loans for fresh fruit and vegetable packing, commodity warehousing, marketing facilities and transportation equipment; pre-export and export financing, etc.

2) Permit and encourage local groups to organize banks, financieras, and credit unions, which could compete with Banco Agrario in meeting local credit needs. Any shortfall in required equity provided by the local organizers might be met by recourse to international bilateral or multilateral sources. This could be done by the issuance of subordinated debentures, or perhaps even by accepting equity from such sources. Further, to leverage the quasi or actual equity and to provide loan rates competitive with Banco Agrario, it is suggested that these financial entities be permitted to discount their farm loans on competitive terms with the Peruvian Central Bank.

3) Agroindustry processors who contract with individual farmers or cooperatives for their supply of raw product, and who provide "in kind" and cash inputs on a budgeted basis to their contract farmers, should also be permitted to discount their farmer-related advances with the Central Bank.

4) As agrarian reform cooperatives take advantage of their new opportunity to reorganize, farmland will, in many cases, be distributed among former members. The "service cooperative" of agroindustry portion of the former cooperative should then be separately capitalized so as to operate as a viable handling, processing, or marketing entity. It could be organized as either a proprietary company with all stock owned by the former cooperative members, or as a new cooperative with hired management. This "handler" would need to be staffed to provide technical assistance to the former cooperative members who are now individual land owners. These "handlers" should be permitted to discount their farm-related advances to farmers with the Central Bank, or alternatively, with Banco Agrario.

5) Modify Banco Agrario procedures. Procedures should be changed to reflect the changes in ownership (agrarian reform) and inflation differences in managerial ability of potential borrowers. In the case of a farming family there is no provision for living expenses. The practice of assigning zero value to land holdings severely distracts agriculture production in many ways.

Credit is utilized in the following areas:

- 1) Agricultural production
- 2) Livestock production
- 3) Marketing of agricultural product
- 4) Equipment
- 5) Irrigation and land improvement
- 6) Forestry
- 7) Agro-industrial development

D. GOVERNMENTAL ACTIVITIES

Retail food prices for selected items are controlled by the government. Retail food prices have increased significantly in the previous four years, but the rate of increase has been declining. The number of agricultural commodities under control at the wholesale and retail levels were reduced during 1981. The price of crude soybean oil for processors and retail price for vegetable oil and blended (fish-vegetable) oil as well as wheat flour were freed controls in 1981 for the first time in many years.

Import duties are imposed on several agricultural products. Since 1981 the rate of duty has been lower for selected items and some items have been completely freed from government control. The following commodities have import duties: beef, mutton, offals, oil products, fresh and processed vegetables, fresh and processed fruits, grape juice, essential oils, potatoes, corn, sorghum, milo, soybeans (raw and semi-refined), and fish oil.

A policy of trade liberalization has contributed to the current negative trade balance. The government has paid subsidies on the sale of wheat, rice and dry milk in previous years. The government officially requested in January 1982 a \$50 million (U.S.) World Bank loan to assist both associative enterprises and individual farmers. An International Development Bank loan for \$36 million was signed in 1981. The IDB loan is used primarily to aid associative enterprises and secondarily for individual farmers. To date, 1,930 local farmers' committees have been established throughout the country to grant credits and provide technical assistance under this program.

E. AGRARIAN REFORM

One of the results of the agrarian reform was the establishment of "cooperatives" where the land is jointly owned and managed by individuals who in most cases had been workers on large land holdings. In the process the prior management was generally dispossessed and, in many cases, forced out of the agricultural sector. This has left a tremendous void in administrative and managerial talent. The majority of these cooperatives are poorly managed, deeply in debt and operating at a

significantly lower level of productivity than before. The reasons for this loss of productivity include a lack of entrepreneurial incentive that would normally be provided in a private ownership situation, the shortage of management talent capable of operating complex enterprises, and the organizational structure itself, which makes it difficult to attract and keep good managers. The poor retention rate of managers is the result of low pay levels and the lack of job security in a situation where the workers constitute the Board of Directors of the cooperative.

The agrarian Promotion Law permits these cooperatives, through majority vote, to subdivide their land into private holdings. This could have positive results if conversion is to privately owned units of sufficient size to be economically viable. The incentive to produce efficiently in such holdings is likely to be much greater than under the present organization.

Many existing cooperatives have taken the private property option because (1) there is insufficient land to create economically viable units, (2) the cooperative is producing plantation crops such as sugar which are generally more successful and efficient on a large scale, or (3) the members simply do not choose to do so. The only alternative would seem to be to improve management.

Management expertise needs to be developed within the enterprise itself. There are a number of ways in which this could be done, including establishment of special training courses by agricultural universities and ESAN. In addition, the government could set up a program to identify promising individuals from the cooperatives who could be selected for special training in Peruvian educational institutions or abroad. This would be an area where AID could usefully provide organizational as well as financial support.

Cooperatives in many instances appear to have become a pass-through welfare operation, with massive amounts of debt being forgiven by lenders. This probably has been done in recognition of the large number of landless laborers and cooperative members dependent on the cooperative for survival.

Many of the beneficiaries of the agrarian reform program are personally ill-equipped to carry on a farming business. Their initial improved family income came about due to false perceptions of the profitability of the cooperative farm enterprise. Distribution of funds in excess of earnings apparently was practiced regularly due to inept management, poor accounting, demands of members overriding management decisions, political sensitivity to the strength of the rural population, and poor administration of loans granted. Debt was treated as a substitute for income.

The present system of granting land virtually debt and cost

free has led to serious abuse by some beneficiaries. Irrigable or irrigated land, one of Peru's most precious resources, is being converted to cash by such diverse activities as using top soil for the manufacture of adobe or kiln-fired bricks, sale of equipment, sale of farm buildings and improvements, and destruction of permanent plantings by conversion to firewood or charcoal. Additionally, a great amount of permanent plantings appear to be abandoned and incapable of making a contribution towards Peru's need for foodstuffs and export earnings. Crop land is not being farmed to its potential and agricultural production cooperatives are often violators of good land husbandry.

Present cooperative enterprises are costing Peru heavily in that:

- 1) Welfare payments disguised as credit are a poor use of limited farm credit.
- 2) The returns from assets—principally land—tied up in cooperatives are shamefully low and are continuing to decline, a trend which the country can ill-afford.

F. TECHNOLOGY

1. FERTILIZERS

Consumption is mostly in the areas planted to the principal crops—rice cotton, sugar cane. Use of fertilizers is increasing especially since 1981 when the severe drought ended. Prices are not subsidized and have continued to increase at rates corresponding to the rate of inflation. ENCI manages the importation of fertilizers.

The following table shows the type and amount imported in 1982.

<u>TYPE OF FERTILIZER</u>	<u>MT</u>
Urea	25,000
Ammonium Nitrate	22,000
Ammonium Sulphate	19,000
Triple Superphosphate	18,000
Potassium Chloride	17,000
Potassium Sulphate	6,000
Magnesium & Potassium Sulphate	1,500
Di-Ammonium Phosphate	19,000

2. IRRIGATION

Aside from policies the most important single deterrent to accelerated agricultural development is the distribution, management and use of water. This holds true for much of the sierra as well as the coastal valleys. About 30 percent of

Peru's 3.4 million hectares of arable land is presently under irrigation.

Virtually all of the coastal land under cultivation is irrigated, while only a fraction of the farm land in the sierra and selva is irrigated.

Any discussion of water use must recognize that gross value of output from available land differs considerably among the three regions. Irrigated land on the coast yields 47 percent more than irrigated land in the sierra and 25 percent more than irrigated land in the selva. Irrigated land in the sierra is twice as productive as unirrigated land. When these differences in relative productivity are taken into account, the relative importance of arable land in different regions changes dramatically.

Thus, although coastal land accounts for only 21 percent of cultivated land, it accounts for almost 40 percent of total value of farm output. Put differently, one average hectare of coastal cropland produces a gross value of output equivalent to 2.3 hectares of sierra cropland and 1.8 hectares of selva cropland.

Greater productivity of coastal lands is inherently due to more favorable weather and soil conditions, better transportation, and superior production and marketing practices. Similarly, total irrigated land accounts for only 30 percent of total arable land but accounts for about 50 percent of total production by value.

The higher productivity of irrigated land explains in part why Peru has placed such heavy emphasis on irrigation. In recent years public investment in irrigation has accounted for nearly 80 percent of total public sector investment in the agricultural and food sectors.

The most effective way to extend the benefit of irrigation is by increasing the efficiency of water use on existing irrigated lands, particularly in the coastal valleys. Water is being misused on a large scale. Major attention should be given to the extent of misuse and to devising ways to improve use.

Water overuse and lack of adequate drainage have caused salinity problems in large areas of land. Available information suggests that some 130,000 hectares of coastal irrigated land are affected by moderate to strong salinity and drainage problems, presumably the result of poor water and land management. This is an important economic cost since the government simultaneously is expending money on large irrigation projects on the coast designed to increase the area under cultivation.

The most important single deterrent to more rational use of

water is the lack of incentive to do so. In particular, water usage fees payable to the "Juntas de Usuarios" and the "Comisiones de Regantes" are low and often are determined by hectares under irrigation rather than by amount used. Statistics provided suggest that as much as 70 percent of these fees, low as they may be, are not collected. Since the "Juntas de Usuarios" need fees to maintain canals, the systems often are not properly managed or maintained, leading to further water losses. Fees should more closely approximate the economic value of water as a scarce resource.

Proper water pricing should lead to:

- 1) The more efficient use of water within existing cropping patterns. This might involve changing irrigation schedules, use of different varieties requiring less water and different irrigation methods. (Efficient and low cost measuring devices are available which measure sub-soil humidity and reduce water waste.)
- 2) Construction of better drainage facilities to reduce salinity on presently productive land and to reclaim once productive land lost because of rising salinity.
- 3) Lining of secondary and tertiary canals to eliminate water filtration.
- 4) Reviewing crop patterns, some of which may be economically viable only because of low value presently placed on irrigation water. For example, rice, corn, and sugarcane are three major water absorbing crops. Such reviews should be done locally with farmer participation. In many cases, such review could lead to substantially higher values of production per hectare with less water.
- 5) Analyzing the feasibility of using well water instead of surface water. Although wells have higher operating costs, the total cost of water may be less than with water obtained from large irrigation projects. Wells can also be used to supplement water that is available from alternative sources only during certain months of the year.
- 6) More water presently lost to the sea during the months when rivers peak could be stored in mini-storage dams lined with plastic or similar material. Indications are that this method of adding new arable land might be commercially feasible at today's prices of irrigated land (assuming zero value for desert land).

Along with a rational pricing policy research and extension personnel will play a major role. Their efforts will be important in determining just what crops should be grown under irrigation, which varieties are preferable, optimum ways for determining when irrigation should occur and how much should be

applied, ways to minimize evaporation, and for identifying and publicizing other aspects of water conservation.

Peru could dramatically increase its irrigable crop acreage, at relatively low cost, by developing small watersheds. It has a tremendous resource in its thousands of rivers in all parts of the country. Politically, their development may not be as glamorous as a Majes or Olmos project, but it may help far more people; and it would provide much more food production with a far smaller investment. In addition, the production benefits could be diffused among many geographic areas, some of which are among the lowest income areas of the country. For example, many of the small watersheds in the sierra can be tapped for irrigation simply by constructing a canal. Others might require a small dam, but usually that would be relatively easy to construct. In a lot of these potential projects, local construction help could probably be obtained at little or no cost to the government.

Small and medium-sized irrigation projects in 16 sierra departments have already been identified. There are 154 projects with several studies already completed. The estimated cost is an average 150 dollars per hectare. There are 94,000 hectares that would benefit 46,000 families already located there. During construction 6,000 workers would be employed and the production phase would give permanent employment to 25,000 workers. Many of these projects could be finished in less than three years time, a fraction of the time frame of the more complex projects. Many would contribute significantly to employment, at least in the short run, and would reduce migration to Lima.

The current status of irrigation projects underway is shown below.

1) Work continues on the Piura-Chira irrigation system. Construction of the principal and secondary irrigation canals in lower Piura valley should begin soon. This will expand the irrigated area from 25,000 hectares to 35,000 hectares. Levies are being constructed in the Piura and Chira rivers to avoid floods. A feasibility study has been completed for stage III of this project. When complete, it will expand the area to 8,000 hectares in Chira Valley. An additional loan of U.S. \$26.5 million was obtained to continue the work on Majes irrigation project. Construction of the reservoir Condorama (250 million cubic meters) was initiated in mid 1981. Also a feasibility study for the second stage (1 billion cubic meters) Angostura reservoir has been concluded. Tubing for irrigating the first 3,000 hectares is being installed. Some 590 plots will be allocated in July of this year. About U.S. \$500 million was spent on this project through 1980. It is estimated that another U.S. \$250 million will be allocated for some rural development through 1990. Current estimates for the total cost of this project are now running in the area of U.S. \$2 billion.

2) The renovation of the Tinajones-Chotano tunnel was completed in November 1981 increasing the water supply by 100 million cubic meters per year or 20 percent of the current supply. Germany has offered additional credit to continue this irrigation project.

3) Construction of the Jequetepeque-Zana irrigation is being delayed due to disagreements with farmers regarding resettlement.

4) Some preliminary work on the Chavimochic irrigation project was initiated in late 1981. However, the Olmos project although considered a priority is still pending.

G. MARKETING

1. GENERAL

Peru has a myriad of marketing problems, most of them reflecting either a lack of organization of the market participants, or lack of competition within the marketing system. Marketing channels in Peru are quite limited and, in fact, inhibit market growth and development. The identified channels for food distribution in Peru are:

- a. Government procurement and distribution.
- b. Agrarian reform "cooperatives".
- c. Private sector agroindustry, food processing and canning facilities, and poultry and meat processing.
- d. "Mayoristas"—a wholesaling function for fresh fruits and vegetables.
- e. Private sector retailers—supermarkets, "minoristas".
- f. Independent farmers who individually sell their products to truckers/field buyers.

2. GOVERNMENTAL ACTIVITIES

Government organizations involved in the procurement, storage and sale (domestic or export) of Peruvian agricultural products are not performing satisfactorily. Of particular concern is the tendency of producers and consumers to become dependent on these agencies notwithstanding their shortcomings and inadequacies. This inhibits sorely needed private initiative and creativity in both production and marketing.

Some of these agencies:

- a. ENCI - acquires and sells fertilizers; importation and price control of domestically produced corn.
- b. ECASA - acquires and distributes rice.
- c. EPSA - retail marketing organizations.

The government is taking steps to return such activities to

the private sector. As this is accomplished inequities in distribution will diminish and basic economic forces will assume a greater role in determining which agricultural commodities will be produced in the various geographic areas.

3. PRIVATE PROCESSORS

There appears to be sufficient government incentive to encourage private sector processors to continue to develop and expand. Retailers and processors indicate that product flow of meat and poultry to the trade is good, especially when compared to fruits and vegetables. This may be attributed to a more developed private sector competitive structure as compared to fruits and vegetables. Meat and poultry producers' future growth and productivity can be enhanced by improved means of obtaining feed inputs from the private sector rather than the government and development of refrigerated storage and transportation. As in fruits and vegetables, producers could benefit from stronger industry organizations.

4. WHOLESALERS ("MAYORISTAS")

Aside from the sale of certain commodities that are directly acquired and distributed by the government, it appears that producers of domestically consumed foodstuffs have only three marketing outlets. The three non-government channels for sales distribution are:

- a. Small but growing agroindustrial sub sectors.
- b. Limited direct farm to retailer sales for local consumption.
- c. The predominant marketing outlet—the "mayorista".

Because the farmer direct-sales outlet and agribusiness sales at this time are relatively insignificant, the "Mayorista" for all practical purposes is the only true sales outlet, especially for fruits and vegetables.

Retailers as well, for all practical purposes, have only one source of supply for fruits and vegetables—the "Mayorista".

The "Mayorista" exercises a unique monopoly type control over product flow to the market place and, through an informal organization, fixes prices to farmers and retailers alike. The "Mayorista" provides a unique credit service to both farmers and retailers. This results in lack of competition in marketing channels, thereby creating distortion which:

- a. Leads to low payments to producers and high prices to consumers.
- b. Transmits erroneous supply-demand signals to producers, which in turn cause further distortions or waves in production

and supply.

c. Causes significant product loss due to distribution bottlenecks, inefficiencies, and lack of proper storage.

d. Inhibits creative market development and productivity improvement in the entire system from producer to consumer.

H. CROPS

1. SUGAR

Since the end of the drought (1978-1980) sugar production has doubled. The replanting of some idle sugar fields has also increased production. The production in 1982 was 750,000 metric tons. Domestic consumption is approximately 650,000 metric tons. Prices paid for sugar sold for human consumption are controlled by the government. CECOAP is the umbrella organization for five cooperatives. Seven cooperatives (Paramonga, Cartavio, Andahuasi, Cayalti, Pucala, Ponalca and Tuman) have banded together to form a "Sugar Producers Committee".

One of the principal goals of this Committee, in cooperation with the Ministry of Agriculture, will be to resolve the severe economic problems facing the sugar industry.

Non-affiliated cooperatives and CECOAP are receiving temporary government authorizations for the free marketing of their sugar, in specified local areas, for domestic consumption.

Export quotas will be established for each cooperative by representatives of the Ministry of Agriculture, ENCI and sugar-cane cooperatives. ENCI will continue in its role as the government agency in charge of imports and exports of sugar.

There are hopes to establish a sugar industry in the jungle region. However, the lack of financial resources to develop such a project has delayed its plans. Reportedly, Great Britain has shown some interest in this plan.

2. COFFEE

Production is approximately 70,000 metric tons annually. The disease coffee rust is still economically a problem to increasing production. Coffee is the primary agricultural export earner for Peru. As a result of implementation of the International Coffee Organization (ICO) quota system, stocks have increased significantly. Coffee is exported by both private traders and ENCI.

3. FRUITS AND VEGETABLES

Production exceeds domestic consumption. The main ones exported are mango, avocado, tomatoes, and onions. There are plans to install new processing plants in the fruit producing

areas. These companies are looking to expand exports.

4. COCOA

The market for cocoa has been expanding, both domestic and foreign, thus new areas have been put into production. Production for 1983 is estimated to exceed 10,500 metric tons. The export market accounts for the largest portion of processed cocoa products. Processing capacity has expanded substantially during the past years, as exports have switched from cocoa beans to cocoa paste and butter.

5. COTTON

Production is in excess of 85,000 metric tons annually. A large portion of the production area is irrigated, thus production is dependent upon availability of water irrigation. Two of these areas are Tanguis and San Lorenzo. Production exceeds the domestic consumption of 56,000 metric tons. There are some marketing disorders because stocks are high. Cotton seed cake is distributed by FONGALES. About 80 percent of total sales is used in dairy cattle stations and 20 percent for poultry and swine.

6. TOBACCO

Production includes both dark and light tobacco. Estimated annual production is 5,000 metric tons. Light tobacco production is being expanded in the jungle area of Tarapoto. Production of dark tobacco is decreasing due to changing consumer tastes and marketing difficulties with the former state monopoly.

I. LIVESTOCK

1. GENERAL

Livestock production is concentrated in the sierra, which accounts for 75 percent of the national herd. The department of Puno has about half the population of sheep, llamas, alpacas, and vicunas. Cajamarca department is the leading cattle and horse-breeding area, and Piura department has most of the goats. The llamas and alpacas, the traditional livestock of the Indians, have been raised in Peru for hundreds of years. The llama is used as a beast of burden, its wool is used for making garments and its dung is used as a source of fuel. Alpacas and vicunas are raised solely for their wool.

2. BEEF CATTLE

Production is still suffering from the sell-off of inventory

due to the drought of 1978-1980. People in Lima and Callao traditionally are beef consumers. In the past price controls have been instituted to regulate the retail price. There is a project by Ganaderia Amazonas for dual-purpose cattle in the northern coastal and jungle areas. The Ministry of Agriculture plans to continue import of water buffalo to improve livestock production in the Amazon area. There are plans for a livestock development program in the Pichis-Palcazu area, located in the Departments of Juin, Pasco, Huanuco and Ucayali. Funds will be obtained from the U.S. AID, and West Germany.

3. DAIRY CATTLE

Fluid milk production has been increasing from 634,000 metric tons to over 670,000 metric tons in 1982. However, Peru's potential for increased dairy production continues to be limited by the lack of a definite dairy development policy, technical expertise and high quality livestock. The consumption of dairy products in 1982 was constrained by reduced consumer purchasing power. It is estimated that the per capita consumption of dairy products is substantially lower now than it was 10 years ago, some 50 kgs against 62 kgs 10 years ago.

The production of evaporated and recombined milk continues to be highly dependent on imported NFDM and butter oil. Nearly half the condensed and recombined milk is produced from imported ingredients.

ENCI supplies the local market with some 200 metric tons per month of imported dry whole milk. In an effort to reduce criticism from local producers, that this is inhibiting domestic production, ENCI has agreed to use 100 metric tons of domestically produced dry whole milk coming from a milk plant at Cajamarca.

The imports of NFDM and butter oil in 1981 totaled 25,000 and 12,000 metric tons, respectively, from 26,000 and 9,000 tons, respectively, in 1980. The ENCI 1982 dairy import program calls for:

NFDM	32,000 MT
Butter Oil	14,000 MT
Dry Whole Milk	3,000 MT

4. POULTRY

Poultry meat production totaled 145,000 metric tons in 1981, 11 percent higher than the 130,000 metric tons produced in 1980. Also, 1981 egg production totaled 940 million units, up 6 percent from 880 million eggs produced in 1980. The lower prices for poultry meat during 1981 compared with red meats resulted in a shift toward poultry meat. The only prices below poultry during 1981 were some low quality types of fish. Egg prices were also

down during most of 1981 favoring egg consumption.

Forecasts for 1982 called for poultry meat and egg production of 152,000 MT and 1 billion units respectively up from 1981 production of 145,000 MT and 940 million pieces. Poultry meat and egg prices are expected to remain low in relation to other meats.

Exports of chicks during 1982 were at about the same level as in 1980. This was reportedly due to competition from other countries.

With improvements underway in slaughter houses and other processing facilities, the Peruvian Poultry Association will be able to export excess production.

5. OTHER

Imports of swine for breeding purposes were authorized recently. Swine imports have been prohibited since August 1978 to prevent the entry of African Swine Fever. Currently, there is some interest in importing U.S. Charbray cattle.

Peru exported 300 "Junin type" sheep to Ecuador in November 1981. A similar number is expected to be shipped to Bolivia.

J. FORESTRY

There are approximately 70 million hectares of forest lands in eastern Peru with stands of cedar, mahogany, moena, tornillo and congona, all hardwoods. The principal lumbering center is Pucallpa, which produces about one-third of the nation's lumber. Other sawmill centers are Iquitos, Tingo Maria, and Oxapampa. In addition to lumber, the country produces a wide range of forest products such as rosewood oil, achiote seeds, leche caspi used in making chewing gum, and matico, an astringent oil.

K. FISHERIES

PescaPeru, a state corporation has control over fishmeal processing plants. There are over 5,600 vessels employing over 28,000 persons in food fishing. There are 18 fishing ports, of which Chimbote is the largest. Peruvian streams and lakes, particularly Lake Titicaca, are noted for their trout. To keep foreign fishing vessels from the coastal waters, Peru had made formal agreements with Chile and Ecuador claiming 200 miles of territorial sea. Violations of this claim by Argentina and U.S. fishing fleets have led to numerous international incidents. For further information, see Chapter 8 (Economics, Commerce, Industry and Civilian Supply).

IN-COUNTRY RESOURCE ANALYSIS

SUMMARY MATRIX

CHAPTER 10
PUBLIC FINANCE

Resource Category	Estimate of Availability Status
General	There are two financial systems in Peru. One is a formal system, (Banks, stock exchange, insurance companies, etc.) and the informal system about which little is known.
Fiscal Policy	Peru is attempting to reduce the public sector's deficit from 1983's 12 percent of GDP to 4.1 percent in 1984. This is to be achieved by increases in taxes, elimination of price subsidies on rice and wheat, reduction in public sector wages and increases in utility prices.
Monetary Policy	Trends in current monetary policy is dominated by 1) the need to finance a large public-sector deficit, 2) concern for balance of payments, 3) availability of financing from external capital markets.
Development Planning	Development planning is accomplished by the government-owned financial institute, Corporation Financiera de Desarrollo (COFIDE).

CHAPTER 10

PUBLIC FINANCE

A. GENERAL

There are two financial systems in the Country of Peru. One consists of a large informal sector, about which little is known, and the formal system or institutions. Banks account for approximately four-fifths of the assets in the formal financial system. Other financial institutions include the stock exchange, insurance companies, savings and loan associations, and cooperatives--the latter two being the most important of the non-bank institutions.

The banking institutions are headed by the Central Reserve Bank of Peru (Banco Central Reserva Del Peru) - the Central Bank.

1. The Central Bank of Peru, created by Law Number 7132, is the National Institute in charge of the issuance of currency and of its regulation. Its main objectives include the following:

a. To maintain the stability of the national currency with the support of suitable fiscal and monetary policies.

b. Promote credit and exchange conditions, assessing orderly development of the national economy, generation of a higher growth rate of production, income, and employment.

c. Insure the strengthening and firmness of the banking and financial system. The Central Reserve Bank of Peru, is an autonomous institution in charge of administering the international reserves of the country.

2. The most important government bank is the Banco de la Nacion (National Bank). Other government-owned banks include the development banks for industry, agriculture, mining and housing. The National Bank was created by Law Number 16000 on January 27, 1966. It is an enterprise of public right with economic, financial, and administrative autonomy to exercise its function. Its main purpose is to provide the public sector, the banking and tax collection services required and to carry on with other sectors of the economy. The action of this bank is projected throughout the country by means of an extensive chain of offices and branches.

3. The National Commission of foreign investments and technology is a consulting and coordinating organ of the Ministry of

Economy, Finance, and Commerce which has to propose and execute the national policy dealing with foreign investments, technology, and trademarks according to the national economic plans and policy of integration. This organization is to act as a competent national authority in the application of rules to foreign investments, technology, and trademarks; also for local investments and technology that are carried or licensed to foreign countries.

4. The Bank and Insurance Superintendency of Peru is an institution established by public law with functional, administrative, and economic autonomy in agreement with Article 155 of the Political Constitution and represents the State. It controls banking, financing, insurance, mutual institutions for housing, general warehousing, credit institutions, savings, and all other natural and juridical persons who operate with funds from the public and other areas as specifically prescribed by law. The functions of the Superintendency regarding the Central Bank of Reserve include:

a. To carry out its organic law of functioning and additional dispositions.

b. Regulate the institutions and natural persons subject to its control to insure compliance with the laws, administrative rules, and other dispositions that rule them.

c. Exercising strict control over all operations and negotiations; controlling the economic solvency of the same to protect the interests of the public.

B. FISCAL POLICY

The Belaunde Administration has been forced to shift its fiscal policy stance in response to abruptly changing external conditions. The first Finance Minister--Manuel Ulloa (who was also Prime Minister)--entered office at the end of the 1979-80 "boomlet," when world mineral prices produced big increases in both foreign exchange reserves and tax revenues. The democratic regime immediately embarked upon an ambitious program of public works accompanied by an expansionary monetary policy financed through the expenditure of foreign exchange reserves, to stimulate domestic production and to hold down domestic inflation. By 1981, however, this policy already was frustrated by the sharp decline in world prices. The Government maintained its massive investment program primarily through extensive external financing.

By 1983, continued high government expenditures became untenable, and the GOP economic team, headed by former commercial banker Carlos Rodriguez Pastor, was forced to adopt drastic measures in the face of the deteriorating balance of payments and

skeptical world capital markets. Attempts to cut current expenditures were frustrated by the needs for disaster relief occasioned by the flooding and drought resulting from the "El Nino" phenomenon. Although current and capital expenditures of the Central Government dropped 14.2 percent in real terms, revenues tumbled 37.6 percent. The GOP successfully negotiated a rescheduling of its official bilateral and commercial foreign debts.

In April 1984, the GOP reached agreement with the IMF for a 15-month Standby Program to replace the 1982 Extended Funding Program, which succumbed to the late-1983 fiscal disorder. A new Finance Minister, Jose Benavides, was named to replace Rodriguez Pastor in March 1984. The key feature of the IMF agreement approved recently is a drastic reduction of the public sector's deficit from 1983's 12 percent of GDP to 4.1 percent in 1984. This is to be achieved by increases in taxes, the elimination of price subsidies on rice and wheat, further reductions in real public sector investments, and a substantial cut in Peru's very high military expenditures. The risks in this fiscal program are high, yet the alternatives—various forms of overspending with consequent balance of payments and inflationary impacts—would prolong the domestic downturn.

C. MONETARY POLICY

Trends in monetary policy have been dominated by several factors: (1) the need to finance a large public-sector deficit; (2) concern over the balance of payments and the need to limit reserve losses; and (3) the availability of financing from external capital markets. These factors combined to produce, first, a very rapid expansion of real domestic credit available to the private sector in 1980 and 1981; then, a stagnation of private sector credit in 1982; followed by a sharp drop in 1983.

The rapid expansion of domestic credit in 1979 and 1980 was made possible by the very large balance of payments surpluses which accompanied the 1979-80 commodity price boom. Despite the worsening world recession, this expansion was prolonged into 1981 by utilizing the foreign exchange reserves accumulated in the previous two years. (The credit expansion in dollars in the table below overstates the degree of credit expansion in 1981 because of the increasing overvaluation of the sol. Nonetheless, it was considerable).

BASIC MONETARY INDICATORS
(in US \$ millions)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Financial System Liquidity	3943	4708	4274	3559
—Money (M-1)	1518	1497	1050	875
—Deposits in soles	1313	1913	1710	1196
—Deposits in US\$	1112	1298	1514	1487
Domestic Credit	3320	5724	5133	5148
-to Public Sector	1129	1921	1378	1995
—In Soles	708	1369	865	1351
—In US\$	421	552	513	644
-to Private Sector	2191	3803	3755	3153
—In Soles	1591	2903	2576	2065
—In US\$	600	899	1087	

Source: Central Reserve Bank

During 1982, the expansion of domestic credit slowed markedly to cope with the worsening balance of payments. Nonetheless, the Government was able to maintain the modest expansion of credit to the private sector by resorting increasingly to external short-term credit to finance its own operations, while also maintaining high net inflows of medium and long-term capital.

Monetary and credit developments in 1983 were complex. The public sector's access to normal international credit was severely constrained because of the hemisphere-wide debt crunch and its worsening balance of payment position. However, in the first half of the year, the GOP arranged with its commercial bank creditors for a rescheduling of amortizations due in 1983 and \$450 million of "new money" (of which \$250 million was actually disbursed in 1983). It also rescheduled over 90 percent of principal and interest due on its official bilateral debt in the Paris Club. Although the new commercial bank money and the rescheduled interest payments could have been used to sustain private sector credit expansion, the fiscal shortfall of 1983 absorbed all this and more. The result was that credit to the private sector declined 16 percent in real terms, while credit in the whole financial system remained essentially constant from December 1982 to December 1983.

An important monetary development in recent years has been the increased dollarization of the Peruvian financial system. The proportion of financial system deposits held in dollar-denominated accounts has increased rapidly, from 28 percent of the financial system's cash and deposits in 1980 to more than 40

percent in 1983. The primary reason for this expansion has been the negative real interest rates paid on sol-denominated deposits, while dollar deposits earn positive rates tied to LIBOR. It is likely that during 1984 the Central Bank will attempt to narrow these yield differences in order to reduce the share of dollar deposits in the financial system.

D. DEVELOPMENT PLANNING

1. The Corporacion Financiera de Desarrollo (COFIDE) is a government-owned financial entity, that contributes to create and extend those enterprises that are important for the social-economic development of the country.

Since its creation by Legislation No. 18807, on March 1st, 1971, COFIDE was supporting the public, private, cooperative and social property enterprise development, in the different economic sectors.

To carry out its purpose, COFIDE has an authorized capital of thirty thousand millions of soles. The corporation obtains resources through the attraction of domestic saving and the external financing. COFIDE supports development planning with:

a. Direct Credits: For new projects or expansions, this type credit includes the machinery and equipment acquisition as well as the working capital necessary for the development of such projects. The beneficiaries of these credits can be all enterprises composed by natural or legal persons in the different production sectors and tourism, except the trade and construction sector.

The minimum total for such credits is ten million soles. These loans are under promotional financing conditions: Payment term up to ten years which includes up to four years of grace, according to the characteristics and generation capacity of the project; rates of interest competitive with those used in the market, collected per expired quarters or semesters. Foreign currency loans are granted under time and conditions of foreign line, COFIDE adding a percentage of its work.

For Working Capital, this service is given to enterprises in operation. The minimum total is also ten million soles. The working capital loans, in national currency are granted with due dates of thirteen to twenty four months, with competitive interest rates, to facilitate the production of the enterprises. The working capital loans, in foreign currency, to acquire raw material and services abroad, are granted according to the available credit line best suited to the enterprise. COFIDE adds a commission for its services.

b. Indirect Credits: Exclusively in foreign currency through banks and financing enterprises. COFIDE offers the service of channeling the financial system with the resources of the external credit lines that it obtains to satisfy the requests of small investors and enterprises that for some reason would decide to present their operations through banks or financing enterprises. This service has no total limit, making possible the selection of the most suitable line, for the acquisition of raw material as well as machinery and equipment.

Share-Capital investments: The corporation can participate under risk for share capital funds to begin new enterprises or the expansion of existing ones, becoming a partner of national or foreign investors. They can participate when:

- national investors propose it, generally by asking for a project financing.

- COFIDE promotes projects, makes studies, selects technology and channels the national and/or necessary foreign investment.

- projects that contribute to the country development and that the government determines needed through legal devices.

COFIDE's investments will not be lower than the equivalent of US\$ 50,000, and preferably they will not be higher than 30% of the enterprise capital.

COFIDE's contributions will be directed to the acquisition of capital assets or working capital, but they will not be used to consolidate liabilities.

COFIDE will make these investments for the necessary time to encourage the activities and projects that they intend to finance and will sell its investment when it considers its supporting function completed and having obtained a reasonable yield. The sale will be made preferably through the stock exchange.

Studies: Through its pre-investment program, the corporation finances, with external and own resources, the costs of the following types of studies: 1) Basic studies, its purpose being the identification of possible projects and specific programs, or the investment requirements of an economic region, sector or subsector, including basins, natural resources and human studies, aerophotogrammetric researches and others. 2) Preliminary studies, directed to analyze alternatives from the technical and economic point of view to take a decision about convenience and opportunity to analyze a program, project or group of projects in a more expensive and specified way. 3) Technical and economic pre-feasibility and feasibility studies of

specific programs or projects to be executed on a national, regional or local level or for projects related with the subregional integration of the nations which are members of the Andean Pact. 4) Specific Studies, complementaries, to improve the presentation or to complement the requirements necessary for the external or internal financing of the projects. 5) Engineering Studies, including drawings, specifications and final designs, previous to the project execution stage whose technical and economic practicability has been demonstrated. 6) Other Studies, directed to the institutional strengthening, as well as to the research of specific technological processes, or its adaptation to the country, within the national policy background of technological transference.

With these financings, it is possible to contract national or foreign consulting services associated with the national ones, to execute the studies. COFIDE using the reinvestment program resources carries out directly pre-investment studies; they are at the interested investor's disposal.

c. Credit Lines: COFIDE puts at the disposal of the financing intermediaries of the country funds directed to finance the acquisition of the capital goods produced in the country. The purpose of this program is to fortify the industry of national capital goods production, through the financing support of its sales operations giving, in this way, competitive capacity with the imported capital goods.

In the same way, the actions and decisions that will be taken in the management of this fund will be oriented to carry out other economic goals of the country, mainly related to employment level, foreign currency generation and sectorial and regional priorities.

All the laws and financial enterprises can be intermediaries of the FONCAP credit. It is the responsibility of the financing intermediaries to take care that the information presented to the fund is truthful or creditable and that the payments, repayments and other operations that are done with the resources they give them, will be administrated according to established regulations.

Due to such responsibility, the intermediaries must take reasonable precautions for the recovery of the credit risk of the different operations, in the same way the financing intermediaries must take into account when they present the credit applications, that these applications total do not exceed the legal limits in use, related to the maximum total loan given from the BCRP to each intermediary. Such total will be fixed on four times the capital and reserves can exceed the limit, on extra-

ordinary occasions, as long as the BCRP determines it according to rules, based on an analysis of the financing entity conditions.

Finally, the loans carried out by the financing intermediaries using the fund resources, must be subject to the legal dispositions in use, relative to the maximum total per client.

E. KEY ECONOMIC INDICATORS

(Values in US\$ millions and taken at end-of-year, except where noted)

	1981	1982	1983	Percent Change	
				82/81	83/82
<u>DOMESTIC INDICATORS</u>					
GDP at 1970 Prices	8,940	9,002	7,930	0.7	-11.9
GDP at Current Prices	20,074	19,768	15,984	-1.5	-19.1
Per Capita GDP at 1970 Prices	503	494	424	-1.8	-14.1
Per Capita GDP at Current Prices	1,130	1,089	868	-3.6	-20.3
Population (in 000s)	17,755	18,226	18,707	-2.6	2.6
Industrial Production Index (1973: 100.0)	124.4	121.0	100.2	-2.7	-17.2
Electricity Production (millions of kws)	10,548	11,328	9,328	7.4	-17.7
<u>FINANCE/FISCAL</u>					
Lima Consumer Price Index (1979: 100.0)	339.0	586.3	1,319.6	72.9	125.1
Money supply (M2, in billions of soles)	1,729	2,732	4,755	58.0	72.2
Commercial Bank Deposit Interest Rate (pct.) 1*	49.5	55.0	60.0	11.1	9.1
Central Govt. Revenues	3,597	3,566	2,224	-0.9	-37.6
Central Govt. Expenses 2*	5,368	5,097	4,373	-5.0	-14.2
<u>EXTERNAL SECTOR</u>					
Official Exchange Rate (soles per dollar) 3*	423.42	698.76	1,632.21	65.0	133.6
Intl. Reserves Held by Financial System	722	896	846	16.1	-5.6
Total External Debt	9,638	11,097	12,418	15.1	11.9
Public Sector's External Debt Service 4*	1,765	1,688	1,860	-4.4	10.2
Current Account Deficit	-1,728	-1,609	882	6.9	45.2
Balance of Trade	- 553	- 428	300	-22.6	170.1
Total Exports FOB	3,249	3,293	2,970	1.3	-9.8
U.S. Share (Percent)	37.6	35.0	37.0	---	---
Total Imports FOB	3,802	3,721	2,670	-2.1	-29.3
U.S. Share (Percent)	38.6	24.2	42.1	---	---

NOTES:

1*/Nominal legal ceiling; rate of compounding is at option of bank.

2*/Includes current and capital expenditures; discludes amortization.

3*/Average for year of dollar selling rate set by Central Reserve Bank.

4*/Reflects relief gained from rescheduling debt service as taking of new debt.

F. THE OFFICIAL EXCHANGE RATE (September 1984): 3800 Soles =
US\$1

G. BANKS

The following is a list of the major banks of Peru. This list is current as of the close of 1983.

Superintendencia de Banca y Seguros, Superintendent Juan Klingemberger Lomellini

CENTRAL BANKS

Banco Central de Reserva del Peru - Capital & Reserve
Banco de la Nacion - Commercial banking operations of official government agencies
Corporacion Financiera de Desarrollo (COFIDE) - Capital, Paid Up
Banco Minero del Peru - Capital, Paid Up
Banco Peruano de los Constructores (BANPECO) - Capital, Paid Up
Banco de la Vivienda del Peru - Capital, Paid Up

COMMERICAL BANKS

Banco Comercial del Peru - Capital, Paid Up
Banco Continental - Capital & Reserve
Banco de Credito del Peru - Capital, Paid Up
Banco Internacioinal del Peru - Capital, Paid Up (state controlled)
Banco de Lima - Capital, Paid Up
Banco Popular del Peru - Capital, Paid Up (state controlled)
Banco Wiese Ltd. - Capital & Reserve

PROVINCIAL BANKS

Banco Amazonico - Capital & Reserve
Banco de Los Andes - Capital, Paid Up
Banco Nor-Peru - Capital, Paid Up
Banco Regional del Norte - Capital, Paid Up
Banco Regional del Sur Medio y Callao - Capital, Paid Up
Cla. de Seguros La Universal - Premium Income
Cla. de Seguros y Reaseguros Peruano Suize S.A. - Premium Income

Cla. Internacional de Seguros del Peru - Premium Income
Cla. Italo-Peruana de Seguros Generales - Premium Income
Cla. Peruana de Credito a la Exportacion - Premium Income
La Colmena, Cia. de Seguros - Premium Income
El Pacifico, Cia. de Seguros y Reaseguros - Premium Income
Panamericana Cia. de Seguros y Reaseguros - Premium Income
Popula y Porvenir, Cia. de Seguros - Premium Income (directs
investments in state enterprises, gives technical and financial
help to private companies.)

DEVELOPMENT BANKS

Banco Agrario del Peru - Capital, Paid Up - (loans to farmers for
agricultural development)
Banco de Desarrollo de la Construcción (BANDESCO) - Capital, Paid
Up
Banco Central Hipotecario del Peru - Capital, Paid Up
Banco Industrial del Peru - Capital & Reserve
Banco del Sur del Peru - Capital, Paid Up

SAVINGS BANK

Caja de Ahorros de Lima - Capital, Paid Up

FOREIGN BANKS

Bank of America N.T. & S.A. - Capital
Bank of London and South America Ltd. - Capital, Paid Up
Bank of Tokyo Ltd. - Capital, Paid Up
Citibank, N.A. - Capital, Paid Up

*Eighteen foreign banks were represented in Lima in December 1977
but did not have established branches.

BANKING ASSOCIATION

Asociacion de Bancos del Peru

STOCK EXCHANGE

Bolsa de Valores de Lima

INSURANCE

Cia de Seguros Los Andes - Premium Income
Cla. de Seguros Atlas - Premium Income
Cla. de Seguros Condor - Premium Income
Cla. de Seguros La Fenix Peruana - Premium Income
Cla. de Seguros La Nacional - Premium Income
Cla. de Seguros Rimac - Premium Income
La Positiva, Cla. Nacional de Seguros S.A. - Premium Income
La Real, Cla. de Seguros Generales - Premium Income

Reaseguradora Peruana, S.A. - Premium Income (state controlled)
El Sol, Cla. de Seguros Generales - Premium Income
Sud America Cla. de Seguros sobre la Vida - Premium Income
Sud America Terrestre y Maritima, S.A. - Premium Income
La Vitalicia, Cla. de Seguros - Premium Income
Asociacion Peruana de Empresas de Seguros

IN-COUNTRY . SUMMARY MATRIX RESOURCE ANALYSIS

CHAPTER 11
PUBLIC WORKS AND
UTILITIES

Resource Category	Estimate of Availability Status
ELECTRICITY	Peru has a large hydroelectric potential (30K-60K megawatts). In 1983 approximately 1500 megawatts were being used.
WATER AND SEWAGE	Drinking water is scarce for many Peruvians. By 1990 Peru hopes to supply 80 percent of the urban areas and 40 percent of the rural areas with an adequate drinking water supply. Only 29 percent of Peru's homes are connected to a sewage system. By 1990 the goal is 70 percent for urban dwellers and 35 percent for rural homes.

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TAB 11

CHAPTER 11

PUBLIC WORKS AND UTILITIES

A. ELECTRICITY

The country's hydroelectric potential is large, probably on the order of 30,000-60,000 megawatts, however, in 1983 only about 1,500 megawatts were being used. Only large cities and towns have electricity with part of the urban poor and most of the rural population lacking electrical power.

B. WATER AND SEWAGE

The National Service of Drinking Water and Sewage System (SENAPA) was created in 1983. It is in charge of implementing programs, coordinating the construction of buildings and plants, and giving advice to affiliates. It is an independent sector of the Housing and Construction Ministry which executes the policy of the government. One hundred sixty-two localities are served by this organization with SENAPA giving services only to those localities having more than 2,000 inhabitants.

Water resources to supply the different departments of Peru originate in the Cordillera, rivers, deep or open pit wells, generally on the coast, and channels, small lakes, fountains and underground rivers, generally in the highlands.

Only 28.8 percent of Peru's homes are connected to a sewage system. Over 50 percent do not have access to safe drinking water with some departments having less than 10 percent of the households connected to public water.

The Water Services and Sewage System of Lima (SEDAPAL) is an organization which is under the control of SENAPA. Lima is supplied by water from 230 wells which produce three cubic meters of water per second and from the Atarjea which is located on the Rimac River, six kms from the Plaza de Armas (Lima).

The 1977 United Nations Conference on Water designated the period 1981-1990 the International Drinking Water Supply and Sanitation Decade and called upon each country in Latin America to establish its own goals. The attainment of those goals, shown below, represent an enormous task that will demand the mobilization of vast resources.

DRINKING WATER SUPPLY BY 1990	URBAN: 80%	RURAL: 40%
SANITATION BY 1990	URBAN: 70%	RURAL: 35%

IN-COUNTRY RESOURCE ANALYSIS

SUMMARY MATRIX

CHAPTER 12
PUBLIC COMMUNICATIONS
& CIVIL INFORMATION

Resource Category	Estimate of Availability Status
<p>GENERAL</p> <p>TELEPHONES AND TELEGRAPHS</p> <p>POSTAL SERVICE</p> <p>RADIO AND TELEVISION</p>	<p>Public information is fairly well developed in Peru. The expropriations that took place during the Military Rule (1968-1980) have now reverted, in most cases, to civilian control.</p> <p>Service is continuing to improve with the advent of satellite communications. There are currently estimated to be over 400,000 telephones in Peru with the largest percentage being in Lima.</p> <p>The Postal Service is Government owned and adequate. The service extends to all the population centers.</p> <p>Radio and television are a primary source of information and entertainment. There are currently (estimated) 200 radio stations in Peru (1984).</p>

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TAB 12

CHAPTER 12

PUBLIC COMMUNICATIONS

A. GENERAL

Public information covers most types in Peru and is fairly well developed. After the 1968 takeover of the government by the military, a large number of newspapers and radio and television stations were expropriated. Four daily newspapers in 1970, and the following year 51-percent ownership of all television stations and 25-percent ownership of all radio stations were taken over by the government. In July 1974 the remaining six Lima dailies were expropriated. These remained under government control until the elections of 1980.

B. TELEPHONE AND TELEGRAPH

Long-distance telephone and telegraph service to and from the U.S. and other countries is considered fair to poor. All services are handled via satellite. Calls from the U.S. may be extremely difficult to place due to a lack of available telephone circuits. Calls from Lima require advanced bookings. Connections are often poor quality due to static noises. In 1980 there were approximately 408,000 telephones. 90,000 of these were in Lima with 75-percent automatic service; 23,000 business lines and 535 public telephones.

C. POSTAL SERVICE

The Postal Service is owned and maintained by the Government and extends to all centers of population.

Lima has limited APO service for both letter and package mail. American employees of all U.S. agencies, except contract employees and student exchanges, may receive magazines, publications, and parcels through APO. Certain articles such as firearms, glass, and ammunition are expressly prohibited.

Parcels may weigh no more than 70 pounds, have a maximum length of not more than 48 inches, and maximum length and girth combined may not exceed 72 inches. No money order or registered service is available. No unaccompanied baggage should be shipped to this APO.

Address APO mail as follows:

Name (MAAG, USIS, AID, etc.)

American Embassy (Lima)

APO Miami 34031

Regular international mail is considered unreliable. Service from the U.S. is good, but service from neighboring countries may take up to 20 days in transit.

D. RADIO AND TELEVISION

Peru has approximately 200 radio stations including Government networks. There are approximately 3 million radios in the country.

Lima has the largest number of radio stations (37) that provide news and music, including popular Latin American, classical, contemporary European, American, and Peruvian music. World news coverage in Spanish is adequate and reception is good. Voice of America (VOA) shortwave reception is good.

Five television stations transmit in the afternoon and evening. All broadcasts are in color and can be picked up on U.S. and Japanese sets. Most programs are the same as in the U.S.—westerns, audience participation, domestic comedies, and old movies. There are approximately 1 million television receivers in Peru.

All programs are presented in Spanish. Recent telecommunications laws aim at improving the content of Peruvian television to make it more of an educational and cultural medium. Radio covers 95-100 percent of the population while television covers approximately 70 percent.

Ham licenses are obtained from the Ministerio de Transportes y Comunicaciones, Direccion General de Telecomunicaciones followed by payment of a small fee.

IN-COUNTRY RESOURCE ANALYSIS

CHAPTER 13
PUBLIC TRANSPORTATION

SUMMARY MATRIX

Resource Category	Estimate of Availability Status
GENERAL	Transportation is one of the major obstacles to Peru's economic development. The transportation and marketing of agricultural produce are poor throughout the country with the exception of the coastal area (Costa).
RAILROADS	There are two principal railroads, the Central and Southern. Together they have 1,628 km of 1435 mm and 914 mm gage track.
SHIPPING	There are eight sizable seaports along the Pacific coast with the principal ones being Callao, Paita and Pisco. The ports are congested and require excessive customs paperwork. Steps are underway at the main port of Callao to alleviate these problems.
HIGHWAYS	Peru has approximately 60,000 km of roads with the Pan-American Highway being the most trafficable. Most roads run North and South.
AIR TRANSPORT	The main international airport is the Jorge Chavez Airport near Lima. There are more than 20 major carriers servicing Peru's major cities. The Sierra and the Selva have limited airfields - most are located on Costa.
RENTAL CARS/TAXIS	Taxis are privately owned (Colectivos) in Peru. There are a large number of rental car firms in Lima with the major U.S. firms represented.
BUSES	Numerous within the larger cities but old and prone to breakdown.
AUTOMOBILES	Older U.S. and newer Volkswagens and other European or Japanese autos are abundant in the cities.
FUTURE PLANS	Top priority on construction of roads. No plans for increased rail lines.

CHAPTER 13

PUBLIC TRANSPORTATION

A. GENERAL

The undeveloped state of the Peruvian highway system has presented a major obstacle to the economic integration of the country into a truly national market capable of sustaining a high volume of interregional trade--a basic condition for general economic development. The transportation and marketing of agricultural produce is poorly developed except in costa (coastal region), where the existence of a good road network has permitted an optimum utilization of agricultural resources.

Traditionally, the organization of transportation cooperatives in Peru has been the result of events affecting private entities, rather than through a deliberate effort to build up cooperatives in this sector.

Up to the 1950s', a large portion of urban transport in the City of Lima was in the hands of private companies. The population explosion, the extension of routes, the difficulty in balancing income against expenses and the onus of social benefits for the retired members of staff, led many of these companies to declare insolvency and bankruptcy. In Peruvian law, in the event of bankruptcy or liquidation, social and retirement benefits accumulated by the workers have preference over other creditors, including the government. Protected by this law, workers opted to receive the payment of their social benefits in the form of the vehicles, maintenance workshops and inventory.

The attempt to preserve the source of work was the reason cooperatives was established. Virtually all the passenger transport cooperatives in the cities had their roots in companies which had failed between 1963 and 1975.

Even though no statistics are available, a fair number of cooperatives which inherited obsolete vehicles, have managed to renew their fleets. In the majority of cases, this has been possible as a result of paying low salaries and working longer hours than legally stipulated. Cooperatives have accumulated minimum savings which has led, in some instances, to the purchase of new fleets through commercial banks, the CCC and/or BANCOOP.

Since the creation of these cooperatives, tariff legislation has been favorable; tax exoneration for import of vehicles, parts and spares is provided. Over the past three years, many cooperatives have been able to import units in spite of the obligation to pay in dollars. This is due to fares having increased at a greater rate than the combination of devaluation/inflation. This policy, however, has not been applied to the trucking industry, which is operating at a loss and is close to failure.

In the majority of cooperatives for urban passenger transport, the members jointly own the vehicles and the maintenance workshops. Only a few of the cooperatives have units belonging to individual members. In any event, their cooperative character does not represent any gain in quality of service or price benefits for the user.

Outside of Lima, some cooperatives exist for passenger transport services which are organized and belong to the users themselves. This occurs in out-lying communities which have set up the service in order that their children can reach school and to provide transportation for the community in general.

Within the group of transport cooperatives there are also inter-provincial passenger and goods transport services which make up about 15 percent of such cooperatives.

The National Transport Cooperative Federation, FENACOT, organized in 1970, constitutes a representative and defense organization, with twenty-six affiliated cooperatives (out of a total of 100 in 1982). The majority of these operate in Lima.

A Central was organized in 1982 in Lima and at present serves twenty-three associated cooperatives, all which are also members of the Federation. Its most notable recent achievement has been the importation and financing of 500 vehicles, in conjunction with the Federation, for which it received the support of INCOOP.

B. RAILROADS

Since 1972, all public railroads are nationalized and run by Peruvian National Railways (ENAFER). Total length (1980), 1,628 km on 1435 and 914 mm gages.

Peru's two principal railroads are the Central and the Southern. The Scenic Central, connecting Lima with the central highlands of the Peruvian Andes, is the world's highest standard-gauge railway. Central's main line from Lima to Huancayo runs 244 miles. (This line is occasionally closed by landslides during summer months.) About 107 miles from the coast it crosses the main range of the Andes at over 15,000 feet. Trains run between Lima and Huancayo every day except Sunday. The more extensive Southern Railway links Mollendo on the coast with Arequipa, Cusco, and Puno. Connections can be made from Puno to La Paz, Bolivia after an overnight trip across Lake Titicaca. At 12,500 feet above sea level, this lake is the world's highest body of navigable water.

C. SHIPPING

1. OCEAN AND INLAND WATER ROUTES

Seaports along the Pacific coast are numerous, with the three principal ports being Callao, Paita and Pisco. Other main ports of Peru are Pacasmayo, Salaverry, San Juan, Matarany and Chimbote. The efficient operation of these ports is inhibited by physical congestion and burdensome customs paperwork. Positive steps apparently are underway at the port of Callao to alleviate some of these problems.

Utilization of smaller ports for north-south intra-country transportation by water is quite limited due to poor physical conditions of piers and high stevedoring costs.

Rivers in the jungle regions of Peru currently are used in very modest ways for agricultural transport. Use of the internal river system presently does not appear to be economic for large tonnage shipments.

2. PASSENGER LINES

Fewer passenger ships travel between Peru and the U.S. today than in recent years. Delta Line sails a freighter with accommodations for twelve every two weeks from New York and Baltimore that stops at Lima's port of Callao. A passenger freighter also sails from Los Angeles about every two weeks via the Panama Canal to the east coast of South America and then around Cape Horn to Callao, Peru and returns to Acapulco and west coast U.S. and Canadian ports. The Gulf and South American Steamship Company has freighter service (twelve passenger maximum) departing from New Orleans for Callao about every ten days.

3. SHIPPING FIRMS

Pacific Steam Navigation Company
P.S.N.C., Nicolas de Pierola 1002-06
Plaza San martin, Lima - 28-3250
P.S.N.C., Calle Independencia 150,
Casilla 368, Callao - 29-9040

D. HIGHWAYS

Peru does not have adequate and reliable major highways or feeder roads from the farm to existing major transport arteries. Marketing of Peru's greatest agricultural potential will be inadequate without an improved road system. The only reliable and adequate system presently available is the Pan American Highway. This highway north and south of Lima soon will have serious traffic problems due to overloading. Highways from the jungle and

sierra to the coastal populace regions are inadequate, dangerous and unreliable.

Of the approximately 60,000 km of roads in Peru, most are asphalt, macadamized or unpaved. They are for the most part driveable except for unpaved roads in the jungle during the rainy season. Most run north and south with few roads connecting the Amazon basin.

E. AIR TRANSPORT

1. FROM EUROPE

British Caledonian flies twice weekly to Lima from London via Caracas and Bogota (14 hours). There are direct flights from Frankfurt, Paris, Amsterdam, Madrid and Lisbon by Lufthansa, Air France, LKM, Iberia, Viasa and Avianca. Aeroflot flies from Frankfurt via Cuba (the three-hour stopover in Havana includes a sightseeing trip).

2. FROM NORTH AMERICA

There are direct flights to Lima from New York, San Francisco, Los Angeles, Washington, Vancouver, Toronto and Montreal operated by Eastern, CP Air, Lufthansa, Avianca, Aerolineas Argentinas, Varig, LAN-Chile and Ecuatoriana. There are daily flights from Miami to Lima.

3. FROM SOUTH AMERICA

Lima is a transit stop for many South American routes and there are regular flights to all South American countries.

4. FROM AUSTRALIA AND THE FAR EAST

Varig and CP Air fly to Lima from Tokyo, and Air France has a twice weekly Tokyo-Lima service via Tahiti. LAN-Chile flies to Santiago from Australia and New Zealand and Qantas and Air New Zealand fly to Tahiti. There are connections from Santiago and Tahiti to Lima.

5. FROM SOUTH AFRICA

South Africa Airways and Varig fly to Rio de Janeiro with connections to Lima.

An airport tax of U.S. \$10 is payable on all international flight departures. This must be paid in dollars or soles (travelers' checks are not accepted). Tickets purchased in Peru tend to be more expensive than those purchased in neighboring countries.

Annex A contains a listing of civil aircraft on register in Peru.

Jorge Chavez International Airport is 16 km (10 miles) from the center of Lima. The airport is served by both taxis and colectivos, which leave frequently from Avenida N. de Pierola and can be found everywhere within the city.

COMMERCIAL AIRLINES SERVING LIMA

AEROFLOT	Reservations.....32-1377 Airport.....52-9337
AEROLINEAS ARGENTINAS	Reservations... 24-4094/5/6
AREOPERU	Reservations.....28-7825 Airport.....52-6714
AIRFRANCE	Reservations.....27-9467/8 Airport.....52-9987
AIR PANAMA	Reservations.....23-9495 Airport.....52-9907
ALITALIA	Reservations.....32-4794
AREO TRANSPORTE S.A.	Airport.....52-9161
AVIANCA	Reservations.....28-9760 Airport.....52-7462/58
BRITISH AIRWAYS	Reservations.....28-3253
BRITISH CALEDONIAN AIRWAYS	Airport.....52-4630
CANADIAN PACIFIC	Reservations.....24-9262 Airport.....52-2046
CUBANA DE AVIACION	Reservations.....32-1284 Airport.....52-5403
ECUATORIANA	Reservations.....45-1444 Airport.....52-1766
FAUCETT	Reservations.....27-5000
IBERIA	Reservations.....28-3833 Airport.....52-2206
JAPAN AIRLINES	Reservations.....28-3689

KLM AIRLINES	Reservations.....23-0315 Airport.....52-2413
LAN-CHILE	Reservations.....24-9906/7 Airport.....52-4337
LUFTHANA	Reservations.....27-6470 Airport.....52-8783
LLOYD AREO BOLIVIANA S.A.	Reservations.....28-5033 Airport.....52-6124
TWA	Reservations.....23-9181
VARIG-CRUZEIRO	Reservations.....24-7900 Airport.....52-4052

F. RENTAL CARS - TAXIS

As for local transportation, the cities are served by taxis, group taxis (colectivos), and a variety of buses, all of which are very crowded but charge low fares. Passengers should settle on prices prior to taxi trips. Personal vehicles are desirable in Peru for shopping and excursions, but traffic is congested and nerve-racking. Except for diplomatic personnel and their dependents, foreigners must have a valid license, take a written test in Spanish (with the aid of an interpreter), undergo a medical and vision examination, and purchase a special form of application for a Peruvian drivers license. The country does, however, recognize international permits. Routine maintenance can be performed on most cars, but parts are in short supply. Cars presently manufactured in Peru fare a bit better, but only marginally.

CAR-HIRE FIRMS IN LIMA

AVIS	Avenida La Republica 170 Phone: 32-7245
BUDGET RENT-A-CAR	Centro Civico De Lima Phone: 41-1129/41-1532
EL DORADO RENT-A-CAR	Avenida Arequipa 2450 Phone: 22-4760
GRAF AUTOMOVILES SELECCIONADOS S.A.	Sheraton Hotel Phone: 32-7245/32-7146
HERTZ RENT-A-CAR	262 Ocona (beside Hotel Boluvar) Phone: 28-9477

G. BUSES

Buses are numerous within the city limits. The buses are privately owned in most cases, old and subject to numerous breakdowns. They are very reasonable as to cost to ride but very crowded, particularly during the rush hours in the morning and afternoon. Safety regulations used in the U.S. are not applied and dangerous overloading is common. As a direct result of the overcrowded buses, pickpockets are numerous.

H. AUTOMOBILES

Within the urban areas are a larger variety of automobiles. Many are of the older U.S. vintage and in poor condition resulting in numerous accidents and breakdowns. A popular automobile in Peru is the Volkswagon 1300, the beetle version, popular in the U.S. during the 1960s. These autos are assembled in Peru and are "new" with a price of around 3,000 U.S. dollars.

General traffic and driving practices differ greatly from those in the U.S. Traffic signs are widely disregarded with drivers using improper or no signals. Traffic signals frequently fail, compounding congestion and confusion.

Lima's traffic can be nerve-racking at first, though most people soon adjust to the improvised type of driving. Traffic in Peru moves on the right as in the U.S.

Peru recognizes international drivers' licenses, which can be obtained by U.S. citizens from the AAA by submitting the number, date, and state of your U.S. license, plus \$5, the completed AAA application and two passport-size pictures.

Gasoline is available in 84 and 95 octane. The latter grade is most commonly used by those with American cars but does not give the same performance as U.S. high test gasoline.

Unleaded gasoline is not yet available in Peru. The price of gasoline has risen considerably in the past few years, but the government's intent is to keep the price close to \$1.10 per gallon. American cars requiring unleaded gasoline must be adjusted to accommodate the local gasoline, which can be done locally relatively inexpensively.

I. FUTURE PLANS

1. HIGHWAYS

The Peruvian Government, with external assistance, has placed top priority on construction of roads and bridges that connect major farm development areas with major population areas. This emphasis clearly should not be relaxed. Completion of these

critical transportation links is essential to a healthy agricultural industry.

2. RAILROADS

Railroad service in Peru is very limited and for all practical purposes not used to transport agricultural products or imports. Although feasibility studies have been made for constructing a rail line running north of Lima some 400 to 500 kms to relieve traffic pressure on the Pan American Highway, there apparently are no immediate plans to accomplish that project. In fact, present railroads appear to be suffering from deferred and insufficient maintenance of railbeds and equipment.

Considering the unique terrain problems, the national economy and other higher priority considerations, such as roads and water, consideration of railroads as an alternative means of transport in the short term does not seem practical. In the long term however, because of generally greater energy efficiency and other environmental considerations, it may be in the best interest of Peru to evaluate rail as an alternative means for the transportation of agricultural products and imports. A modern rail system should consider utilization of containers for ocean transport and "piggyback" techniques by which truck trailers are hauled long distances by rail, then "driven off" for delivery at the destination. Such a rail system could interface with "roll-on roll-off" ocean shipping now being handled at the port of Paita.

3. AIR TRANSPORT

Facilities for air transport of valuable but extremely perishable commodities (such as flowers) appear adequate in the principal coastal areas. However, airfields in the sierra and jungle area need to be expanded to adequately support Peru's agricultural export potential.

Remote airfields in other developing countries have contributed materially to expeditious development of high value, perishable type products adjacent to them. The economic feasibility of internal air traffic development should be studied for both short and long-term opportunities.

In the longer term, intra-country transport by water may be more economically efficient than other modes, while helping to conserve energy.

ANNEX A

as of 1 JAN 1983

CLASSIFICATION	COMMERCIAL AIR TRANSPORT OPERATORS		OTHER OPERATORS		TOTAL	
	20,000 lb 9,000 kg and over	Under 20,000 lb 9,000 kg	20,000 lb 9,000 kg and over	Under 20,000 lb 9,000 kg	20,000 lb 9,000 kg and over	Under 20,000 lb 9,000 kg
FIXED WING AIRCRAFT						
<u>Turbo-jet</u>						
4 engines	15	-	1	-	16	-
3 engines	5	-	-	-	5	-
2 engines	7	2	-	2	7	4
1 engine	-	-	-	-	-	-
<u>Propeller-driven (turbine)</u>						
4 engines	-	-	2	-	2	-
3 engines	-	-	-	-	-	-
2 engines	2	6	2	5	4	11
1 engine	-	5	-	2	-	7
<u>Propeller-driven (piston)</u>						
4 engines	-	-	-	-	-	-
3 engines	-	-	-	-	-	-
2 engines	-	23	-	-	-	23
1 engine	-	84	-	10	-	94
TOTAL		29 (see below)	120	5 (see below)	19	34 (see below)
ROTARY-WING AIRCRAFT						
<u>Turbine engines</u>						
2 engines	-	2	-	-	-	2
1 engine	-	-	-	-	-	-
<u>Piston Engines</u>						
2 engines	-	-	-	-	-	-
1 engine	-	1	-	-	-	1
TOTAL		-	3	-	-	3

20,000 lb (9,000 kg) and over

Annex A Continued....

MANUFACTURER & MODEL	NUMBER OF AIRCRAFT					
	COMMERCIAL AIR TRANSPORT OPERATORS		OTHER OPERATORS		TOTAL	
	By Model	By Classi- fication	By Model	By Classi- fication	By Model	By Classi- fication
Boeing 707-300C	1		-		1	
Douglas DC-8-50	5		-		5	
Douglas DC-8-50F	1		-		1	
Douglas DC-8-60	3		1		4	
Douglas DC-8-60F	5	15	-	1	5	16
Boeing 727-100	3		-		3	
Boeing 727-100C	2	5	-	-	2	5
BAC One-Eleven-400	1		-		1	
BAC One-Eleven-500	2		-		2	
Boeing 737-200	1		-		1	
Fokker F-28 Fellowship	3	7	-	-	3	7
Lockheed L-100 Hercules	-	-	2	2	2	2
Fokker F-27 Friendship	2	2	2	2	4	4
Total		29		5		34

AD-A163 588

AREA ASSESSMENT: PERU(U) CIVIL AFFAIRS BRIGADE (361ST)
PENSACOLA FL 24 SEP 85

3/3

UNCLASSIFIED

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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-1963-A

IN-COUNTRY RESOURCE ANALYSIS

SUMMARY MATRIX

CHAPTER 14
DISPLACED PERSONS,
REFUGEES AND EVACUEES

Resource Category	Estimate of Availability Status
POPULATION	Approximately 19.2 million as of June 1984.
TRANSPORTATION	Limited transportation into or within Peru restricts DPRE'S.
LIKELY POPULATION MOVEMENT	Most groups would stay in place during troubled times due to the difficulties of travel within Peru.
FOOD	Food constitutes 20 percent of Peru's imports and would be a priority item in times of conflict or natural disaster.
INTERNATIONAL AID	USAID has the largest assistance program in South America with the government of Peru.

CHAPTER 14

REFUGEES AND DISPLACED PERSONS

A. POPULATION

Peru has a population of approximately 19.2 million, of which approximately 45 percent are Indian, 37 percent Mestizo, 15 percent White and the remaining 3 percent Blacks, Asians and others. Almost one-half of the population (primarily Whites and Mestizos) are concentrated along Peru's coastal plains and approximately 6 million of those are located in the capital city of Lima. Other principal cities include: Arequipa, Chiclayo, Cusco, Hanncayo, Trujillo, Puina, Iquitos, and Chimbote.

Travel is difficult in Peru due to the rugged mountains and many broad rivers. For example, Iquitos on the upper Amazon lies only about 600 miles from Lima, but before the airplane, travelers between the cities were forced to choose between arduous mountaineering or a 7,000 mile trip that included the Amazon, the Atlantic, the Isthmus of Panama and the Pacific Ocean.

While the Peruvians of Spanish descent and the Mestizos live mainly along the coast and own most of the nation's wealth, the Indians, who constitute about 70 percent of the mountain people, live in extreme poverty in one of the world's harshest environments. Living apart from the Mestizos and Europeans, the Indians typically shepherd their llama herds and work in tiny plots of land to provide a subsistence living.

B. TRANSPORTATION

Migration of Displaced Persons/Refugee (DPRE) personnel into or within Peru is somewhat restricted due to the compartmentalization of the country by the mountains and various rivers. The only truly integrated transportation systems are the roads and the airlines; the railroads have not succeeded in forming a connecting network, and maritime traffic is primarily dependent on calls from international shipping lines.

1. **ROADS** - The roughly 36,000 miles of roads-asphalted, macadamized, metalled, and unpaved but drivable--cross the country from north to south and form the penetration roads that run west and east. Among the longitudinal roads are the Pan American Highway, which crosses the country from Ecuador to Chile and the ~~Chanetare~~ Longitudinal de la Sierra, which will unite Ecuador with Bolivia.

2. RAILROADS - The major Peruvian railroad, the Tenocarril Central, is the world's highest rail line and runs from the coast across the continental divide to Callao. It connects with the line from Cerro de Pasco, making it of great importance to the mining industry. A longer southern line, the Terrocarriles del Sur, serves Cusco, Arequipa, and other cities and much of its traffic originates in Bolivia.

3. AIR TRANSPORTATION - Four domestic airlines serve the country, as well as international carriers. There is an international airport in Lima, which is the most important of the country's 150 airports.

C. LIKELY POPULATION MOVEMENT

Due to the difficulties of travel within Peru, DPRE movement during period of conflict or other crisis would tend to be more limited than in most other countries. Racial and social conditions would also tend to indicate that most population groups would stay in place during troubled times. Thus, the rural Indians would probably stay in the relatively isolated mountain villages, while the Whites and Mestizos would tend to stay in the coastal cities they presently populate. Any movement that did occur would probably be toward the cities where government assistance would be most pronounced.

D. FOOD

Of Peru's 128 million hectares, only about 3.7 million hectares, or less than 3 percent are under cultivation. Irrigation is limited and the bulk of the crops depend on limited and erratic rainfall. Fertility of the fields has been declining, the growing season is short and there is a significant risk of frost at high altitudes. Although some 40 percent of the population works in agriculture, per capita food production has been declining since the 1960's, increasing the country's dependence on imported foods and contributing to balance-of-payments problems. Although Peru is the world's sixth largest fishing nation and a major producer and exporter of fishmeal, shifts in ocean currents and overfishing have resulted in a decrease in production and exports since the 1970's. These factors have resulted in the increasing importation of foodstuffs to the point that food now constitutes 20 percent of Peru's imports. Consequently, food relief would be a priority matter during times of conflict or natural disaster. Both acquiring the food and distributing it would be significant problem.

E. INTERNATIONAL AID

The agency of International Development and other donors such as the World Bank, other U.N. agencies and the Inter-American Development Bank have provided Peru with some \$400

million annually in grants and loans. During fiscal 1981, the U.S. cooperated with the government of Peru in a financial and technical assistance program of more than \$81 million, the largest U.S. development assistance program in South America.

IN-COUNTRY . SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 15
CULTURAL AFFAIRS

Resource Category	Estimate of Availability Status
LIBRARIES	Major libraries located at Lima, Arequipa and Callao. National Archives is in Lima. University libraries are in Lima and Arequipa.
BUILDINGS AND MONUMENTS	Numerous buildings and monuments of historical significance are located throughout the country. Incan and pre-Incan archeological sites are prevalent.
MUSIC, DANCE, THEATRE	There is a national symphony, chorus and five major theatres. Several private theatrical companies, two chamber orchestras and a small number of university and amateur drama groups.
ART	Several Peruvian artists are recognized internationally.
NATIONAL PARKS	A number of national parks, preserves and national forests are managed by the Forest Service of the Ministry of Agriculture.

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TAB 15

CHAPTER 15
CULTURAL AFFAIRS

A. LIBRARIES

1. LIMA

a. NATIONAL ARCHIVES - established in 1861, it is composed of Notarial-Judicial, Administrative and Historical sections and publishes a catalogue twice yearly, Palace of Justice.

b. NATIONAL LIBRARY - founded in 1821, it contains 661,232 volumes, 171,381 manuscripts, 11,643 maps, 7,512 musical scores, 7,564 photographs and 1,585,609 volumes of reviews and newspapers, Abancay Avenue.

c. CENTRAL LIBRARY OF THE CATHOLIC UNIVERSITY OF PERU - 60,000 volumes, Bolivar Avenue.

d. SAN MARCOS NATIONAL UNIVERSITY GENERAL LIBRARY - 450,000 volumes with valuable material on Peruvian history, law and literature.

e. CENTRAL LIBRARY OF THE MINISTRY OF EDUCATION - 11,000 volumes, Ministry of Education.

f. PERU-BRITAIN CULTURAL ASSOCIATION LIBRARY - 17,000 volumes, Arequipa 3495.

g. PERUVIAN WRITERS' LIBRARY - 5,255 volumes, 2,206 periodicals, Puno 421.

h. AREQUIPA CLUB LIBRARY - 7,500 volumes, Ejercicios 105-105A.

i. LIBRARY OF THE MINISTRY OF FOREIGN AFFAIRS - 12,351 volumes, Torre-Tagle Palace.

j. LIBRARY OF THE NATIONAL UNIVERSITY - 29,000 volumes.

k. MUNICIPAL LIBRARY OF LIMA - 16,000 volumes.

2. AREQUIPA

a. LIBRARY OF THE NATIONAL UNIVERSITY OF SAINT AUGUSTINE - 33,247 volumes, 1,204 pamphlets, 535 periodicals; additionally, the university has 12 specialized libraries with a total of 93,761 volumes.

b. AREQUIPA PUBLIC LIBRARY - 28,000 volumes, also contains the House of Culture, Ejercicios 310.

3. CALLAO

a. NAVAL SCHOOL LIBRARY - 6,500 volumes related to naval and military subjects, La Punta.

b. PUBLIC LIBRARY - 48,312 volumes, 42 memoirs, Ruiz and Colon.

B. IMPORTANT BUILDINGS AND MONUMENTS

Rich in culture and history, Peru was the scene of many advanced developments even before the Incas (thirteenth to sixteenth centuries, A.D.). A number of national monuments and places of historical significance reflect this heritage.

1. LIMA PUBLIC BUILDINGS

a. GOVERNMENT PALACE - Plaza de Armas.

b. TORRE-TAGLE PALACE - fine example of colonial architecture, presently houses the Ministry of Foreign Relations, Ocajali 363.

c. CONGRESS - houses the Chamber of Deputies and Senate, Plaza Bolivar.

d. PANTHEON - tombs and monuments of Peruvian heroes, University Park.

e. LIMA CITY HALL - art collection, library, reception hall and meeting rooms, Plaza de Armas.

2. LIMA HISTORIC HOUSES

a. CASE DE ALIAGA - one of Lima's first homes, continuously occupied by the same family since 1535, Orion 224.

b. CASA PILATOS - houses the National Institute of Culture, Ancash 390.

c. CASA DE LA RIVA - Entre Nous Society Goethe owns and occupies second floor, Ica 426.

d. CASA DE RIVA-AGUERO - archives of Catholic University on first floor, small folkart museum on second floor, Camana 459.

e. CASA DE LA TRADICION - private collection of items from historical Lima, Salaverry Avenue 3032 (San Isidro).

f. CASA DE RICARDO PALMA - home of one of Peru's greatest writers, General Seearez 189 (Miraflores).

g. CHAVIN DE HUANTOR - capital of the ancient Chavin culture, in the Andes 200 miles north of Lima.

h. ARCHAEOLOGICAL MUSEUM (Cusco) - pre-Columbian and Incan art and artifacts.

i. REGIONAL HISTORICAL MUSEUM OF CUSCO - Peruvian colonial art, Cusco school.

j. MACHU PICCHU - legendary "lost city" of the Incas.

k. ARCHAEOLOGICAL MUSEUM OF FREDERICO GALVEZ

l. DELANO AND SANTA ISABEL (Huancayo, Junin) - 1,654 archaeological specimens from Nazca and other Peruvian cultures, examples of weaving, gold and bronze ornaments, fossils.

m. MUSEUM-LIBRARY LEONCIO PRADO (Huanuco) - natural history.

n. CABRERA MUSEUM (Ica) - collection of ancient engraved stones and pottery, library of 100,000 volumes.

o. BRUNING ARCHAEOLOGICAL MUSEUM (Lambayeque) - 8,000 exhibits including 1,366 gold and 110 silver items, textile, ceramic, wooden and stone pieces, two unique blue and black granite mortars incised with mythological figures in "Chavin" style.

p. NAZCA LINES - 2,500 year old series of ground marking whose scale makes them comprehensible only from the air, some 280 miles south of Lima.

q. ARCHAEOLOGICAL MUSEUM OF THE UNIVERSITY OF TRUJILLO (Trujillo) - natural history, Incan artifacts, fossils.

r. BATAN GRANDE (Trujillo) - array of Chimu temples and burial grounds.

s. CHAN CHAN (Trujillo) - impressive urban center and capital of the pre-Incan Chimu Kingdom.

C. MUSIC, DANCE, THEATRE

There is a National Symphony Orchestra (Ancash 390, Lima) with 75 musicians that offers concerts during the winter. European, American and Latin vocal and instrumental artists make guest appearances. There is a National Chorus, two professional chamber orchestras and a city ballet company in the capital. International ballet and folk dance groups make appearances in the larger cities from May to December.

The Ministry of Education sponsors and houses the Felipe Pardo y Allaga Theatre. Other prominent Peruvian theatres are University of San Marcos (Lampa 833, Lima), Arequipa Theatre (Arequipa 838, Lima),

Seguro Theatre (Ica) and the Municipal Theatre (Huancavelica). Additionally there are a number of small professional university and amateur groups.

The National Institute of Culture promotes cultural development throughout the country. The national government seeks to make musical, cultural and artistic performance available to all.

D. ART

As Spain's most important viceroyalty in South America, Peru was an art producing center. Pre-Columbian, Incan, Colonial and contemporary art are appreciated throughout the country where a number of museums, galleries and private collections have been established. Lima and Arequipa have a concentration of these facilities. Painting has followed international trends, but several outstanding contemporary artists have introduced unique Peruvian traits into their work. Fernando de Szyszlo, painter, and Victor Delfin, painter and sculptor, are internationally known and have works in major world galleries and museums.

E. NATIONAL PARKS

Peru has a rich mixture of ecologies ranging from coastal desert to mountain peaks, to the headwaters of the Amazon River. The importance of preserving these natural habitats was recognized a quarter century ago. In theory the government, through the Forest Service of the Ministry of Agriculture (Raymondi Avenue, Lima) seeks total protection of flora, fauna and scenic beauty. The population near the parks continue to fell trees, graze stock, poach game and even live within the parks and preserves.

1. NATIONAL FORESTS - there are sixteen national forests, most in the Peruvian sector of the Amazon Basin. The two largest, Siabo-Cordiller Azul and Apurimac are 2,084,000 and 2,071,700 hectares respectively.

2. NATIONAL PARKS

a. MANU NATIONAL PARK - has been recognized as a Biosphere Reserve by UNESCO (1977). Situated on the eastern slope of the Southern Andes, it contains over 500 species of birds and one-third of all known plant species. It covers 1,223,000 hectares.

b. SAN ANDRES DE CUTERVO NATIONAL PARK - contains the San Andres caverns; animals include bear, puma, deer, wild pig and fox; the first protected species in Peru, the oil bird (*steatornis peruvianus* - *cariperisis*) nests near the caverns; valleys are forested with walnut, alder, yellow wood and cedar; area is 2,500 hectares.

c. TINGA MARIA NATIONAL PARK - oil birds nest in the Cueva de les Techuzas (Cavern of the Owl); agricultural and timber interests

3. LIMA HISTORIC CHURCHES

- a. THE CATHEDRAL - remains of Francisco Pizarro and Museum of Religious Art, Plaza de Armas.
- b. SAN FRANCISCO - catacombs and monastery, jewel of Lima's churches, corner of Lampa and Ancash.
- c. SAN PEDRO - well preserved Colonial church, corner of Ucayali and Azanjaro near Torre-Tagle Palace.
- d. JESUS MARIA - home of Capuchin convent, corner of Camaria and Moquegua.
- e. SAN AGUSTIN - under extensive reconstruction due to earthquake damage, corner of Ica and Camana.
- f. LA MERCED - established in 1524, corner of Union and Miro Quesada.
- g. SANTO DOMINGO - tombs of Santa Rosa of Lima and Saint Martin of Porras, first block of Camana across from Central Post Office.
- h. SANCTUARY OF SANTA ROSA OF LIMA - first saint of western hemisphere, birthplace of Saint Martin of Porras opposite the sanctuary, first block of Tacna.
- i. LAS NAZARENAS - built around the image of the Lord of Miracles, corner of Huancavelica and Tacna.

4. LIMA MUSEUMS

- a. NATIONAL ANTHROPOLOGY AND ARCHAEOLOGY MUSEUM - most comprehensive presentation of Peruvian civilization from pre-historic times, Plaza Bolivar.
- b. NATIONAL MUSEUM OF HISTORY - residence of both San Martin and Bolivar, contains furniture, paintings and period clothing, Plaza Bolivar.
- c. AMANO MUSEUM - Retiro 160 (Miraflores).
- d. RAFAEL LARCO HERRERA ARCHAEOLOGICAL MUSEUM - private collection of pre-Columbian art and artifacts, over 400,000 well preserved ceramics, Bolivar 1515.
- e. GOLD MUSEUM - dazzling private collection of Incan and pre-Incan gold, jewelry and ceremonial objects, extensive exhibit of uniforms and weapons, 7th block of Prof. Av. Primavera (Monterrico).

f. NUMISMATIC MUSEUM - Peruvian coins from pre-Colonial days to present, Banco Weiss 2d floor, Cusco 245.

g. POSTAL MUSEUM - trading sessions of stamp dealers, monthly, Central Post Office.

h. PERUVIAN HEALTH SCIENCES MUSEUM - artifacts of pre-Columbian medical practices, Junin 270.

i. MUSEUM OF ART - pre-Columbian artifacts, colonial art and furniture, modern painting, Paseo de Colon 125.

j. MUSEUM OF THE INQUISITION - dungeon and torture chamber of the headquarters of the Inquisition for all of Spanish America from 1570-1820, Alfonso Ugarte 650.

k. NATURAL HISTORY MUSEUM OF SAN MARCOS UNIVERSITY - Peruvian fauna, flora, minerals and fossils, Arenoles 1256.

5. LIMA MONUMENTS

a. SAN MARTIN MONUMENT AND PLAZA - dedicated to the memory of Don Jose San Martin, the liberator of Peru.

b. SIMON BOLIVAR MONUMENT - dedicated to the emancipator of South America.

c. WACA WALLAMARCA (San Isidro) - Incan temples ("huacas"), one of a number that circle Lima.

6. OTHERS

a. REGIONAL MUSEUM OF ANCASH - 4,300 exhibits including 700 stone carvings of megalithic statues from Huaraz.

b. ARCHAEOLOGICAL MUSEUM (Arequipa) - ceramics and mummies, at Saint Augustine University.

c. AREQUIPA - called the "White City" because its larger buildings are made from the white volcanic rock of nearby mountains. Peru's second largest urban area.

d. REGIONAL HISTORICAL MUSEUM OF AYACUCHO - archaeology, anthropology, history and popular crafts, library of 4,724 volumes.

e. MILITARY HISTORY MUSEUM (Callao) - real Felipe Fortress (National Monument), built under the Viceroy and unique in South America, collections dating from 1730.

f. NAVAL HISTORY MUSEUM (Callao) - specialized library of 4,598 volumes.

are permitted to use the resources; area is 1,500 hectares.

3. NATIONAL RESERVES

a. PACAYA NATIONAL RESERVE - created for the protection of the paiche (arapaima gigos) fish living in the Pacaya River; includes surrounding lakes and marshes.

b. PAMPA DE GALERAS NATIONAL RESERVE - established for the protection of the vicuna; totally protected except for cattle grazing; located in the Ayacucho region 90 kilometers from Nacza.

4. OTHER AREAS OF INTEREST

a. LOMAS DE LACHAY - a desert zone with very special vegetation of the greatest scientific interest which has been proposed as a reservation.

b. VILCABAMBA RANGE - proposed as the Cutibireni National Park by the Pan-American Union, the area is too heavily populated by the Campa Indians to allow protective measures to be considered.

IN-COUNTRY . SUMMARY MATRIX

RESOURCE ANALYSIS

CHAPTER 16
RELIGIOUS AFFAIRS

<i>Resource Category</i>	<i>Estimate of Availability Status</i>
GENERAL	<p>The state religion is Roman Catholicism. Protestants number less than one percent of the population. The 1979 Constitution affirms freedom of religion.</p> <p>Catholicism has an immense impact of the day to day life of Peruvians. Even the widespread presence of syncretic, often unorthodox, practices should not obscure the basically Catholic outlook on life by the average Peruvian.</p>
CATHOLIC INFLUENCE	

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TAB 16

CHAPTER 16

RELIGIOUS ACTIVITIES

A. GENERAL

Peru is overwhelmingly Roman Catholic. Protestant missionaries have been active since the late nineteenth century, and they have made some inroads in the Selva and southern Sierra. Nevertheless, in 1971 the Protestants numbered approximately 100,000--less than one percent of the total population. If in nothing more than nominal allegiance, Peruvians remain Roman Catholic.

Spanish colonial policy laid the basis for the Roman Catholic Church's preeminence. Although the relationship of the church and the colonial society was occasionally stormy, together they formed Peru's conquest culture. The Republican Government has prohibited the establishment of other sects in the country, thus reaffirming Catholicism's monopoly. The 1920 Constitution gave individuals freedom of religion. The 1933 Constitution declared however, that the Catholic Apostolic Faith enjoyed the protection of the State without elaborating what that might entail. The 1979 Constitution affirms freedom of religion for individuals and the right of all creeds to public worship; at the same time it recognized the Roman Catholic Church "as an important element in the historical, cultural, and moral formation of Peru".

B. CATHOLIC INFLUENCE

It is difficult to strike a balance in discussing Peruvian Catholicism. On the one hand, much of the populace maintains its religious allegiance in only the most pro forma fashion. On the other, it is apparent that the impact of Catholicism on local social life is immense. It is an integral ingredient in the amalgam of Iberian and Inca beliefs characteristic of Peru. Even the widespread presence of syncretic, often unorthodox, practices should not obscure the fact of the basically Catholic outlook of the average Peruvian. Fiestas celebrating saints' days are an essential component of community life. The ceremonial hierarchy (varavoc) of the peasant community began as a result of missionary activity in the colonial era and remains an important focus of loyalty and prestige. The custom of choosing godparents, in Catholicism limited to baptism, has been elaborated in Peru to include almost any socially significant occasion in an individual's life. Saints' feasts have expanded to include a host of reputedly miraculous happenings associated with Peruvian natural disasters. Shrines or religious articles that survive earthquakes unscathed often become objects of popular devotion,

and the anniversary of the disaster becomes the occasion for a commemorative fiesta. Such, for example, is the history of the "Our Lord of the Earthquakes" cult, which arose in veneration of a crucifix that survived the 1950 Cusco earthquake untouched.

The gap between formal church organization and popular adherence to folk Catholicism is often striking. A study carried out by the Catholic University of Peru in Puno Department found 73 percent of the respondents unaware of the religious organizations operating in their community. Only six percent of all respondents actually belong to any religious organization; of these, one-third indicated they had been coerced into joining. In part, this divergence between the faithful masses and the formal church reflects the limited number of clergy, particularly in rural areas.

At the core of the Catholic church organization, involved most directly with the people is the parish. The parish in Peru is different than those in the U.S. In Peru the parish consists of a main church, a parish house and a number of subsidiary churches. These subsidiary churches are not normally staffed full-time. A 1969 survey revealed that of those parishes that were supposed to be staffed, twenty-five percent were without priests. The parishes that are located in rural, less accessible departments have less than fifty percent of the required clerics.

The administrative apparatus and a disproportionate number of its personnel are in the capital city. Lima is the seat of the prelate of Peru and archbishop of the archdioceses. There are six other archdioceses and thirteen dioceses. There are also seven apostolic vicarates and thirteen prelatures nullius. These are administrative units comparable to a diocese; they owe their existence to a law barring foreigners from holding episcopal seats. With an insufficient number of Peruvian bishops, the prelatures nullius are a pro tem solution. Each would become a diocese if a Peruvian bishop were available. In 1972, however, only thirteen of the thirty-seven bishops in the country were Peruvians.

There were 2,307 priests in the country in early 1972 (the latest year for which data was available), an increase of some 20 percent in the years since 1967. The ratio was one priest to 5,120 communicants, but in actuality it was closer to one to 10,000, as almost half of the priests were occupied in administrative or teaching duties. This made it difficult to provide services to many parishes, particularly large ones in remote outlying areas. There was wide variance in the size and composition of the parishes, but on average they covered 1,560 square kilometers and had a membership of 12,000. In general, those with the smallest numbers were large in area (up to 16,000 square kilometers) and were located in regions of poor transportation. By contrast, parishes in the diocese of Lima contained an average of 18,000 persons but covered an area of only 112 square kilometers.

The upheavals of the late 1960s, 1970s, and 1980s have altered the church's relation to society. The church has played an increasingly active role in social and political affairs. It is no longer the unquestioning supporter of the existing social order. In part, merely the targets of the clergy's criticism have changed. Sermons denounce not APRA, but more leftist political persuasions and peasant movements. There are, as well, substantive changes in the church's attitude toward traditional society. Reformist clergy, such as those of the National Office of Social Information (Oficina Nacional de Informacion Social--ONIS), have been vociferous in their criticisms of insufficient reforms. Even the church hierarchy has been supportive of efforts at reform, assisting squatter settlements in Lima to obtain much needed social services.

C. CHURCHES

1. LIMA

- a. La Merced - corner of Union and Miro Quesada
- b. Santo Domingo - Jiron Comana (across from central post office)
- c. San Francisco - Corner of Lampa and Ancash (under reconstruction)
- d. San Pedro - Corner of Ucayali and Azangaro
- e. Santuario de Santa Rosa - Av Tacna, first block
- f. Las Mazarenas - corner of Tacna and Huancavelica
- g. San Agustin - Corner of Ica and Camana (earthquake damage under reconstruction)
- h. Jesus Maria - corner of Maquegua and Camana
- i. Church of Magdalena Vieja - San Marcelo at Av de la Emancipacion
- j. The Cathedral - Plaza de Armas (contains remains of Francisco Pizarro)

2. CUSCO

- a. Cusco Cathedral - Cusco Plaza
- b. La Compania - Cusco Plaza
- c. Santo Domingo

- d. El Trunfo
- e. San Francisco
- f. San Blas
- g. Santa Cataline

3. AREQUIPA

- a. La Recoleta
- b. San Francisco

APPENDIX A

INTERESTING EVENTS & FACTS ABOUT PERU

DISCOVERY: Francisco PIZARRO and Diego de LAMAGRO reached the Inca kingdom in 1532.

PRE-SPANISH CULTURES: A series of advanced cultures, dating from roughly 200 B.C., flourished in Peru. Chan Chan, the capital of the Chimu civilization, lies in ruins north of Trujillo. Around 1100, the Incas achieved economic and political advancement. Infighting among the two Inca rulers was a major factor in the Spanish conquest.

PERU: The original Indian name for Peru was Ttahuantinsuyu (land of the four sections). The Spanish, however, frequently heard the native word Pelu, by which the Indians described a chief, or territory south of Panama. Accordingly, the Spaniards gave the name Peru to all their conquered lands.

PERTINENT HISTORICAL FACTS: Peru's conqueror, Francisco PIZARRO, laid out Lima's Plaza de Armas (Main Plaza) in 1535. Lima's University of San Marcos is the oldest one in the Americas. It was founded by Jesuits in 1551. Lima's bullring is South America's oldest such structure. Its first fight took place on 22 February 1566.

POLITICAL FIRSTS: Peru was the first South American nation to request Communist China's entry to the U.N.

UNUSUAL ECONOMIC FACTS: Paita, far to the north of Peru, has one of the country's last three whaling factories. On a busy day, the factory can carve up approximately 20 whales for their sperm oil.

Guano has provided millions of dollars worth of agricultural fertilizer for Peru. In 1968, birds produced nearly 89,000 tons of guano, of various qualities.

GROWING CITIES: Chiclayo and Chimbote are Peru's fastest growing industrial cities. Chiclayo processes agricultural products. Chimbote is an important port for the national fishmeal industry. Its harbor is larger than Rio de Janeiro's.

ENGINEERING FEATS: The Central Railroad, built in the 19th century by American entrepreneur Henry Meiggs, is the world's highest. Meiggs supposedly said, "Where the llama can climb, I can lay rail."

HIGHEST MOUNTAIN: Mount Huascaran rises some 22,202 feet above sea level. It lies northwest of Lima and just east of Chimbote.

UNIQUE GEOGRAPHIC FEATURES: Lake Titicaca, bordered by Peru and Bolivia, is the world's highest navigable lake. It lies more than two miles above sea level.

APPENDIX B

CALENDAR OF HOLIDAYS/EVENTS

(L) Legal, public national holiday; government offices and most businesses closed. (R) Religious holiday; Catholic schools closed. (C) Civic holiday; government offices and all schools closed.

<u>DATE</u>	<u>HOLIDAY OR EVENT</u>	<u>SIGNIFICANCE AND/OR REMARKS</u>
1 Jan	New Year's Day (R)(L)	
6 Jan	Ephphany (R)(L)	
19 Mar	San Jose (R)(L)	
Variable	Holy Thursday (R)(L)	
Variable	Good Friday (R)(L)	
1 May	Labor Day (L)	
19 May	Ascension Day (R)(L)	
24 Jun	San Juan (R)(L)	Government offices, most businesses closed 1/2 day.
29 Jun	St Peter & Paul (R)(L)	
5 Jul	National Day	In commemoration of acts of heroism in 1941 battle with Ecuador.
23 Jul	Peruvian Air Force (anniversary date based on 1941 event)	In memory of FAP Capt Jose QUINONES, national hero who was killed during Peru's war with Ecuador in 1941.
28-30 Jul	Peruvian Independence Day	Date of presidential inauguration; cabinet sworn in by president; three days of official and festive acts; traditional armed forces parade.
6 Aug	Battle of Junin (C)	In commemoration of victory over Spanish at Junin in 1824. No curtailment of official or business activities.

<u>DATE</u>	<u>HOLIDAY OR EVENT</u>	<u>SIGNIFICANCE AND/OR REMARKS</u>
15 Aug	Assumption of Blessed Virgin (R)(L)	
30 Aug	Santa Rosa de Lima (R)(L)	
23 Sep	Civil Aviation Day	Holiday for FAP only. In commemoration of death of Jorge CHAVEZ, national air hero, in 1910.
24 Sep	La Virgen de las Mercedes (R)(L)	
3 Oct	<u>Golpe Militar</u> led by Gen Juan VELASCO Alvarado overthrew constitutional President BELAUNDE	Commemorative political speeches by President and government officials. Possible nationalistic, anti-U.S. incidents.
4 Oct	VELASCO government nullifies BELAUNDE's controversial agreement with U.S.-owned IPC.	Possible nationalistic demonstrations; possible attacks on U.S. businesses and installations.
8 Oct	Peruvian Navy Day	Holiday for Navy only. (Although Navy established 10 May 1821, that day is not celebrated.)
9 Oct	VELASCO government seizes IPC's La Brea and Parinas Oil Fields and the Talara Refinery as partial payment for IPC's debt.	Possible nationalistic demonstrations; possible anti-U.S. riots.
12 Oct	Columbus Day (L)	
1 Nov	All Saints' Day (R)(L)	
4 Nov	Civic Day	Commemoration of 18th century mestizo leader, Turpac Amaru II, who led popular uprising against the Spanish.
27 Nov	Battle of Tarapaca (L)	In commemoration of Peruvian victory over Chileans in Tarapaca, Chile, 1879.
8 Dec	Immaculate Conception (R)(L)	

<u>DATE</u>	<u>HOLDIAY OR EVENT</u>	<u>SIGNIFICANCE AND/OR REMARKS</u>
9 Dec	Peruvian Army Day	Army holiday only.
9 Dec	Battle of Ayacucho (L)	In commemoration of victory over Spanish at Ayacucho in 1824.
25 Dec	Christmas Day (R)(L)	

APPENDIX C

NATIONAL HEROES:

Tupac Amaru II: When legal measures failed to convince the Viceroy to curtail cruel treatment of Indian laborers, Tupac Amaru II, a descendant of the ruling Inca, led an abortive Indian revolt in 1780. He was drawn and quartered in a Lima public square in 1781.

Jose de San Martin: San Martin gained the city of Lima and proclaimed Peruvian independence on 28 July 1821. As "Protector of Peru," San Martin established schools, libraries and hospitals before leaving Peru and ceding total command to Bolivar.

Col Francisco Bolognesi: Bolognesi commanded the last elements of the Peruvian Army in the War of the Pacific (1879-1883). Primed to "fight to the last cartridge," he refused to surrender the city of Arica to Chilean forces. He is a martyr and national hero.

Adm Miguel Grau: In 1879, Grau's cunning naval exploits with his ship Huascar initially prevented Chile's superior navy from gaining control of the seas in the War of the Pacific. Grau's exploits include capturing several Chilean vessels and bombarding the port of Antofagasta. Grau lost his ship, and his life, in a battle just north of Antofagasta. His death marked the loss of Peruvian seapower and a positive turn in Chilean war fortunes.

Capt Jose QUINONEZ, FAP: Killed during Peru's war with Ecuador in 1941. FAP anniversary date, 23 July 1941, based on this date.

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